

## **Barriers and Opportunities in the Development of Rural Industries: a Case Study of Silverware and Batik Production in Kelantan, Peninsular Malaysia**

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**Abstract:** The main objective of this study is to identify the barriers and opportunities faced by handicraft enterprises in underdeveloped regions of Malaysia. The study is based upon both quantitative and qualitative analysis. The findings showed that the handicraft industries are very closely affiliated to the community and they provide significant employment opportunities to the local people; the industries are presently encountering several constraints in relation to the quality and availability of both physical and human resources. Findings also showed age appears to represent an important factor in both constraining the industries' development and in offering a ray of optimism for future development and the majority of the entrepreneurs preferred that the development of their industries should involve evolutionary or gradual change rather than a rapid transformational development. In relation to the rural non-farm sector, the findings of the study have shown handicraft industries play an important role in the rural society by providing occupation and income.

**Key words:** Handicraft • Rural Industries • Silverware • Batik • Development

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### **INTRODUCTION**

Rural non-farm activities have been a neglected aspect of rural development policy. The main focus of development theories and approaches has been on agriculture, with rural people seen as peasants and agriculturalists. Rural non-farm activities (which include rural industrial activity) have seldom been studied seriously due to the fact that they were stereotypically considered as not significant, stagnant and lacking in dynamism. But now increasingly interest is being shown by the developing countries in developing non-farm activities, partly on account of the inability of the agricultural sector to absorb the rural labour force and satisfy the subsistence and growing consumption requirements of the rural people [1-6]. The study has indicated that non-farm activities are significant and essential in the rural areas and have considerable potential for development. In relation to this two main themes for discussion are pointed out.

**Theme One:** The sector is seen by several theorists as being unimportant and insignificant in the development of rural areas. For instance, non-farm activities are seen as static and isolated and constitute a form of disguised

unemployment (the neo-classical "modernisation" paradigm); as subsidiary activities to agriculture (the populists, such as Chayanov); as being marginal (the proponents of the dependency perspective); and as continuing to decline as rural income rises [7]. Again, our findings reveal that this is not necessarily the case, at least in our study areas. The industries contribute significantly to the generation of employment and income-earning opportunities. The majority of the workers and entrepreneurs have to depend on the industries for their livelihood. Their labour-intensive nature means that they provide relatively more job opportunities than other forms of industrialisation. Meanwhile, some industries evidence their development in terms of market and size, with their products not only being sold locally but also on the international market. From the study we have also highlighted the dynamism and economic potential of the handicraft industries under investigation. Nonetheless, the industries themselves have not been able to accomplish their full potential because of the many constraints they face. Without being over-optimistic or over-enthusiastic, we would like to recommend that their potential be further explored. With the involvement of the government and private sector, more of their potential could be realised or built. Thus, the non-farm sector

should be given more recognition by policy-makers as part of their development strategy to create a dynamic and diversified rural sector.

**Theme Two:** The rural industrial sector is traditional in character, closely attached to the community and having the potential for *in situ* development. The findings from our study imply that, due to their “appropriate” nature, it seems that they are amenable to less radical development approaches: such as the basic needs approach [8], rural reformism [9], the “ruralisation” approach [10] and the populist “small is beautiful” approach [11]. The importance of regional integrity and appropriate technology is acknowledged. Meanwhile, another fundamental question with which we have been concerned is that rural industrialisation in the form of “decentralised industrialisation” may not be considered a particularly appropriate strategy of rural development, but instead the focus should be on “peripheral industrial development” which recognises Kelantan’s position as a peripheral state. In relation to this, the “development from below” approach may be considered more relevant, where development is initiated at the grass-roots level. This may be difficult where it is argued that government should intervene on behalf of local producers: policy-makers and development practitioners may be severely constrained by the overwhelmingly centralised, top-down approach to “doing development” which is currently prevalent in Malaysia (and many other developing countries). And yet the government does have a key role to play: our study has shown that the villagers have limited resources (such as capital, skills and expertise) to invest in their industries’ development. In this context, the development of self-help forms of organisation based on local initiatives, people and resources was felt to be relevant. The development of co-operatives is one such way of fostering development based on local initiative and resources. Beyond this, concentrations of industrial activity in mini-growth centres might also be encouraged, taking greater advantage of nearby towns and administrative centres and fostering a greater division of labour between rural and urban areas in this regard [12]. Thus, for the purpose of rural industrialisation the functional concept of the rural milieu should be widened to include rural towns.

**Research Methodology:** The study was carried out in the state of Kelantan, Malaysia, where two Districts, Kota Bharu and Tumpat, were chosen as study locations based on the existence of the batik and silverware handicraft

industries. In Kelantan and even in Malaysia more generally, the District of Tumpat is famous for its silverware industry; meanwhile the District of Kota Bharu is famous for its batik industry. The state of Kelantan itself is always recognised as the “home of Malaysian batik” and most of the batik industries are found in the District of Kota Bharu. In order to achieve the goals of the study we utilised a combination of research methods. Thus, this study included a variety of methods: interviews with government officials; library research (universities and government or public libraries); interviews with key informants (e.g. the managers of the rural co-operative of handicraft industries, master craftsmen and headmen); and fieldwork in the Districts of Tumpat and Kota Bharu in the state of Kelantan. The fieldwork consisted of observation activities and informant interviews in the initial months at the primary research site; a preliminary survey of silverware and batik industrial activities in the research site; intensive interviewing of samples of producers/ entrepreneurs and workers of the silverware and batik industries and non-participants (i.e. people without a direct involvement in the study industries); and intensive interviewing of key informants/selected ‘cases’. The gathering of materials began with the interviewing of officials from several government agencies involved in the development of the handicraft industries, such as the Malaysian Handicraft Development Corporation headquarters (MHDC), the Ministry of National and Rural Development (MNRD), MARA, the Ministry of Trade and Industry, the *Syarikat Perniagaan Dan Pembangunan Industri Kampung* (SPPIK) (or The Business and Development of Village Industry Holding/Company (a subsidiary of MARA)) and KARYANEKA. The main information gathered concerned the roles of the agencies in the development of handicrafts and the policies of the government in rural development and rural industrialisation. Meanwhile, we also collected information and literature related to the handicraft industries and rural development, particularly in Malaysia, from several libraries located in and nearby Kuala Lumpur. To gain information on and insight into the industries and the communities we visited several villages both with and without handicraft industries. We also observed the socio-economic activities of the villages, in terms of their occupations and social life.

**Findings:** This study of the silverware and batik handicraft industries in the Jajahans of Kota Bharu and Tumpat Kelantan has focused on three main sets of “actors”: the entrepreneurs, their workers and those

villagers who are not directly involved in the production of handicrafts. The main purpose of the study has been to identify the constraints and potential which face the future development of these industries. A secondary objective has been to inform development policy in Malaysia, especially with regard to the process of rural industrialisation. The study has identified at least six broad sets of findings.

First, the handicraft industry has particular characteristics which differentiate it from larger forms of industry: (I) the industries are not homogeneous in terms, for instance, of their size, scale of operation, degree of market orientation, organisation of production, technology, raw materials and also the extent to which people prioritise involvement in the industry in relation to other economic pursuits. Accordingly, policy measures should recognise the heterogeneity of the rural industrial sector and should be sufficiently flexible to make allowance for this; (ii) they are not highly capitalised and technologically advanced; (iii) there is a close relationship between the industries and the community. The industries derive their workers from the community and thus community activities may in one way or another affect the running of the industries and vice-versa; (iv) production of handicrafts is closely related to the social and cultural context within which it occurs. Those who are involved in the industries are not only workers and entrepreneurs, but they are also villagers who have their own identity. They are not like factory workers who work to specific time schedules and have to abide by specific rules; but they are villagers with their own social relationships and cultural values. Workers and entrepreneurs are quite commonly neighbours and also in certain cases relatives; (v) there is a complex inter-linkage between handicraft industries and agriculture. The industries are affected by the agricultural cycle (i.e. planting and harvesting in padi farming), where in certain cases the workers and entrepreneurs of the industries are also farmers or those who have other jobs; (vi) the industries and the livelihoods they provide, are vulnerable, unstable and unpredictable. Various factors such as demand for the product, the availability of skilled labour, lack of capital and the degree of priority given to the industries can effect their prospects for development, or even survival.

Second, the handicraft industries are significant in the livelihood they provide for the entrepreneurs and workers, particularly in terms of employment and income. For instance, the incomes derived from the industries contribute the main part of total household income. There

is some evidence that the industries have obviated the need for some villagers, particularly the younger ones, to migrate to other places to look for work. The ability to retain the more dynamic and better educated individuals within the village may be seen as a positive factor in the longer-term development of the study area. Additionally, the potential for development is indicated by (i) the limited availability of alternative sources of employment, due to the limited amount of agricultural land and the restricted range of non-farm activities within the villages; (ii) the many younger workers (particularly those with better education and formal training) who are interested in becoming involved in the industries; (iii) the future demand for silverware and batik products seems to be promising (for instance, from tourism and the major array of value-added products which are being derived from batik cloth in particular); (iv) the increasing attention of government agencies towards the industries (i.e. in terms of marketing, designing, establishing training centres, advertising and (v) a sign of willingness among the entrepreneurs and the workers to participate in the future development of their enterprises, at least by working hard, devoting more time and adopting new designs.

Third, the industries are still encountering several constraints, in respect of both physical and human resources, which could hamper the long-term development of the industries. The principal constraints are (I) structural constraints, such as lack of capital, the presently restricted market (demand), lack of skilled labour, limited access to raw materials, informal organisation and traditional technology; (ii) the human constraints, such as a generally low level of entrepreneurship, negative prevailing attitudes towards the industry and a disinclination among some to get involved seriously in the development of the industries.

Fourth, age appears to represent an important factor in both the constraints and potential which face the development of handicraft industries under investigation. The study has found that, compared to the younger entrepreneurs and workers, the older ones: (i) tended to have more "developed" (i.e. larger-sized) enterprises and derived more income from the industry; (ii) tended to have a generally positive attitude towards the industry and their occupation therein; (iii) tended to be less willing to make a firm commitment to the development of their enterprises; (iv) had a tendency to be more risk-adverse (i.e. attempted to avoid any risk-taking), particularly relation to investment; and (v) seemed least likely to leave the industries.

Fifth, not all the entrepreneurs in the silverware industry allocate a high priority to the industry (i.e. as indicated by their part-time involvement in the industries.). However, this is not the case in the batik industry. The factors that contribute to the low level of prioritisation are: (i) the nature of the industry, which in many instances could be carried out on a part-time basis; (ii) the limited volume and reliability of orders from the customers and thus their limited and unpredictable income; (iii) the putting-out system of production, where producers are heavily dependent upon the middleman and seldom enjoy any real security or dependability of work and income-earning opportunities; (iv) the lack of physical resources (capital and raw materials); and (v) the possibility of other, "better" occupations away from the *kampung*. At the same time, not all workers in both industries worked full-time, although most of the skilled workers did. The priority given to the industries was closely related to the availability of other non-farm activities. The low degree of prioritisation is also reflected in the unwillingness of some entrepreneurs and workers to encourage their children to get involved in the industries. Instead, they prefer their children to have better jobs, particularly "white-collar" jobs, even if this means their moving away from their home areas.

Sixth, the majority of the workers and entrepreneurs preferred that the development of their industries should involve evolutionary or gradual change rather than a rapid transformational development. Regardless of whether they are entrepreneurs or workers, the preferred model of development is not one that is based on modern technology and a fundamental change in the organisation of production, but on improved technology which is felt to be more appropriate to both the producers and the nature of the product. Two main reasons underpin this preference for an evolutionary model: (i) it is believed the transformational model (where modern machines and management are introduced) could jeopardise the traditional aesthetic and cultural value and identity of the product, the inseparability of the community and the industries, the traditional skills of the artisans, the hand-made quality of the product; and (ii) it was considered more appropriate to the nature of capital availability, technology, the size and characteristics of the workforce and the relative peripherality and underdevelopment of the study area. It is imperative to point out that the starting point for rural industrial development would have to be the level of common knowledge and understanding of industrial organisation, technology and the people who are involved in the

industries. This would require a much greater awareness than is now common among agencies and change agents of local resources and skills, as well as their potential contribution [13]. Thus, we must emphasise the importance of appropriate training for entrepreneurs, managers, supervisors and workers in rural industries and for those officials whose task is to assist them. "Appropriateness" should be determined by the nature of the people concerned as well as the characteristics and objectives for the industries themselves. The need for craft apprenticeships, on-the-job training and the acquisition of practical experience is strongly emphasised.

Meanwhile, due to the considerable variety that exists within the handicrafts/cottage industrial sector, greater emphasis should be placed on freedom to find appropriate answers to local problems than on standardised schemes or projects. Thus, in designing support mechanisms for handicrafts development, artisans (entrepreneurs and workers) at the local level should be involved/consulted during the process of policy formulation. The combination of strategies of government-imposed development (i.e. top-down strategies) with grass-root programmes (the bottom-up approach) should be encouraged [14,15]. In this case, the artisans' experience, ideas and knowledge about their industries should be incorporated into the policy formulation process. It is hoped that the qualitative elements which have been included in the present study will have demonstrated the importance of local knowledge and insight in identifying both the constraints and opportunities which exist for the future development of the handicraft industries under investigation. Due to their close association with the community, rural industrial development should allow for integration with the local populace in order to make best use of their skills and capabilities, sustain the social role played by the industrial workplace and preserve the symbiotic functioning of industry and community. By pursuing a flexible, locally appropriate approach to the support of the rural industrial sector, it may be possible simultaneously to engender decentralisation, participation and local self-reliance [16-18, 8].

A widely held view, at least historically, has been that the progress of many traditional industries has been held back by various factors, both physical and human. Particular importance has been attached to the human factors, such as the existence of what is termed a peasant "sub-culture": for instance, the perception of limited goods, mutual distrust, fatalism and a belief in luck rather than knowledge [19]; lack of achievement orientation and

motivation or "modernisation values" [20]; Islamic teaching [21]; and so on. These have been shown not to be so appropriate in explaining the underdevelopment of handicraft industries in the study areas. As our study has indicated, the artisans and the rural people in general do have the motivation to become successful and are profit-oriented (the silvercraft entrepreneurs Encik Hassan bin Mat Jusoh and Encik Ishak bin Mamat in Kampong Morak typify the more entrepreneurial producers among the study communities). Their involvement in business and their desire to attain wealth for the status it brings (such as Hajji, good houses, etc.) provide a motivating force towards profit-making activities. In other words, involvement in the industries provides a number of opportunities for achieving these goals and hence it constitutes a respected source of livelihood in which many entrepreneurs have invested their skills, money and labour. The underdevelopment of the industries is thus largely explained by structural factors, such as limited capital, market, technology and so on. Even the human factor of risk-aversion is largely explained by the fact that the entrepreneurs have limited capital to be invested in their enterprises [22]. This implies that the development of rural industries demands some assistance, particularly from the government. The various forms of assistance and programmes that can be provided in support of rural industrial development can be conveniently grouped into five main categories: the provision of infrastructure, the acquisition of skills, the role of an industrial extension service, the supply of credit and the creation of a favourable business environment. Our study recognises that different sizes and types of handicraft industries require different kinds of assistance. Furthermore, the young entrepreneurs/workers should be the main targeted beneficiaries of rural industrial programmes because they have both shown a generally positive attitude towards development and face the most serious physical constraints. In terms of development, the Government should be cautious about imposing a particular development model on the rural sector. It would be quite easy to go for a model which emphasises large scale and productive efficiency (mechanised and capital-intensive) as a means of strengthening the competitive position of Kelantanese enterprises within the wider Federation. But this is not what the people want; and thus it is not appropriate to what the people desire. Instead they prefer industries which are small in scale, labour-intensive, human powered, utilising "low" and appropriate technology and retaining many of the characteristics of "peripheral" industrialisation. In relation to this any

development should be based upon the industry's present characteristics: hand-made, traditional and peripheral and embedded deeply in local culture. There is little doubt that the factory system is the more efficient, but at issue here it is the dilemma between efficiency and "appropriateness". It is my belief that, with the factory model, the image of the craft will be lost. Furthermore, the system does not necessarily generate much employment, rather technology is more likely to displace labour when local conditions determine that the opposite should be the case. Ideally, there should be some kind of consultation between the Government and the people in terms of what is seen as best and what the people actually want. We should use the handicraft industries' traditional nature as a basis for marketing strength, not weakness. Research into the innovative use of cultural imagery and identity could be incorporated into the design process and the creation of new products. Thus the "preservation" of their traditional identity is crucial for their survival. For instance, if the silverware industry is pushed into a factory system, how different will it be from the silverware factories found in Kuala Lumpur where silverware products are manufactured more quickly and cheaply and also in closer proximity to the main market. In Kelantan, on the other hand, silverware has to be hand-made in nature, whereby it relates its identity to the producers and their culture. The Government and private sector have to recognise this. Thus, in so far as Government can influence the choices of technology made by the industries, it is felt that preference should be given to those technologies that are adaptable and appropriate to local skills and the use of local resources [18, 11]. Mere imitation of imported modern technology and standardised projects is thought to be undesirable and is likely to prove counter-productive in the longer run. In terms of the organisation of production, the study indicates the merits of a formal kampong co-operative, similar in many ways to the silverware co-operative in Kampong Morak (Co-operative of Rural Industry in Kampong Morak) and that of the Association of Batik Producers in Kota Bharu. The co-operative system builds upon local traditions of self-help and confers advantages of scale on small-scale producers. It is recognised that such co-operative forms of production are most effective when the initiative and drive for their establishment comes from below, as opposed to being imposed from above. For the future growth and development of the industries, more workers and entrepreneurs are needed. Today's "non-participants" might have some potential to become

future workers or entrepreneurs. However, as the study indicates, the majority of the non-participants have no intention to get involved in the industries. Thus it is felt that the industries have to become attractive enough (particularly in terms of income) in order to encourage their involvement. With the involvement of the Government in the process of rural industrialisation, the younger generation should be the main target/beneficiaries of its programme since they have shown more interest than the older ones. Furthermore, it would be particularly important to create sufficient opportunities for those workers with an entrepreneurial inclination to put their abilities to the test. In general, the findings of the study imply that the strategies of rural industrialisation needed to take into account the existence of various sub-groups and different categories among the rural population, who not only possess knowledge, resources and skills, but also have different types of dependency relationships within their community. These would require different programmes and different, flexible and locally-sensitive approaches. It is also suggested that, in policies of rural industrialisation, not only should the need for full-time jobs be considered but also the need for part-time and seasonal employment. This would also help to make the rural industrial sector more appropriate to local conditions and would again represent an evolutionary form of development which builds upon existing structures and forms. Investment and training should be focused primarily on the needs of young people entering the labour force.

### **CONCLUSION**

The main purpose of this study is to identify the development barriers and potential faced by small-scale handicraft enterprises in a peripheral and underdeveloped region of Malaysia. It seeks to place handicrafts production in Kelantan within the broader theoretical context of rural industrialisation and the development of traditional and peripheral rural areas. The principal findings of the study are as follows: (i) the handicraft industries have distinctive characteristics and are very closely affiliated to the community within which they operate; (ii) the industries provide significant employment opportunities and income to the people in the community; they also appeared to have a certain amount of potential for development, which in turn would be to the advantage of the study communities in that the local non-farm sector is presently only very weakly developed and diversified;

(iii) the industries are presently encountering several constraints in relation to the quality and availability of both physical and human resources; (iv) age appears to represent an important factor in both constraining the industries' development and in offering a ray of optimism for future development; (v) not all who are involved in the industries afford a particularly high priority to their development, preferring in many cases to spread their risks by continuing to work as farmers or fisherpeople for at least a part of their livelihood; and (vi) the majority of the entrepreneurs preferred that the development of their industries should involve evolutionary or gradual change rather than a rapid transformational development. They also placed considerable emphasis on the need to preserve the traditional, hand-made character of their handicraft products and also their cultural identity with the producers. In relation to the rural non-farm sector, the findings of the study have shown how and why these traditional handicraft industries continue to persist despite the increasingly pervasive presence and influence of modern, larger industries; they also continue to play an important role in the rural development by providing occupation and income. Based on the findings of the study and the implications which have been discussed above, we attempt below to inform policy with regard to the development of the handicraft industries. It is postulated that the establishment, growth and development of rural industries is conditioned primarily by the availability of entrepreneurial skills, the availability of credit and the removal of infrastructural constraints. For instance, the nature of rural enterprises in terms of scale of production activity and the production technology employed is largely influenced by these primary factors, which are of course closely interlinked. Thus, Government assistance to rural industries must be tailored to take these relationships into account and also the social organisation of production. Thus, in any rural industrialisation strategy early attention should be given to removing the physical constraints which face rural enterprises and to providing critical inputs and training. A general supporting policy should include the exploration and development of markets; the "provision" of subsidised capital and the targeting of smaller producers who may not be considered "credit-worthy" (i.e. they lack collateral); the improvement of delivery systems for raw materials; the channelling of new ideas and innovations; assistance for the development of entrepreneurship; assistance in management and organisation; and the creation of training programmes.

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