

Skill, Entrepreneurship and Market Development of the Handicrafts Sector in Western Rajasthan: Learning from the Life Cycle

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Intervening to build entrepreneurship among the women of Barmer engaged in textile crafts, Udyogini moves from direct implementation to a facilitating role.

OVERVIEW

The key issues confronting social businesses today are assessing their scalability potential and developing models that are replicable. Craft artisans, in particular, face these problems, owing to the volatile market, skill and supply constraints, complex logistics, and long and mostly unorganized supply chains. Due to these complexities, the margins in the product sales are low—for the artisans as well as the upstream entrepreneurs. Yet, artisan crafts are an important area of social business in India because the handicrafts sector is the second largest employer, after agriculture, in the country.

Textiles account for almost half the handicrafts sector; other craft segments in their order of significance are cane and bamboo, wood, metal, straw/grass/fibre, clay/ceramics, leather and stone. Market channels include wholesalers, retailers and exhibitions. For products promoted by NGOs, there are alternative sales channels such as small shops (including co-operative societies) and exhibitions organized by craft organizations. The study estimates that these alternative channels, despite having carved a niche in up-market consumer circles, have not built adequate sales volumes, and, therefore, cannot be counted as prominent market players. Some NGOs, working with artisans, have preferred to develop their own alternative value chains in order to gain high returns for the producers. However, cases of success in such instances are few.

Mobilizing crafts people for creating markets for their craft is a long and complex process and most organizations take more than ten years to reach certain scale of returns. In most cases, increasing the supplier base has been a challenge because to sustain results, there is a need to have reliable quality as well as skills. Input and management costs as well as human capacity requirements become high if quality is to be ensured. This makes craft-promoting interventions non-replicable,

especially for smaller organizations. In addition, there are location-specific social and community constraints as well, especially for the home-based working women. These issues combined with the inherent and often rapid shifts in consumer demand increase the costs and the risks for the NGOs involved.

For Udyogini, (an organization that provides development services for training and promotion of poor women as entrepreneurs) the supply and market constraints in the sector—the costs of intervention, the funds required and the long gestation period for developing a producer-owned, fair trade value chain—suggest that for scalability and ‘replicability’, there is need to devise a different model. As part of service provision, Udyogini provides strategic inputs to other organizations on interventions in the crafts arena. It, therefore, becomes incumbent on Udyogini to develop a model which could, in whole or in part, be replicated and scaled in other locations and be sustained without continuous and high-level support by the intervening NGO. Most important, the vision of Udyogini of building management capacity and entrepreneurship among local people, especially women, guides its operations. Consistent with this vision, Udyogini set for itself a five-to-seven-year schedule in prototyping a business model driven by local entrepreneurship.

This study describes the intervention of Udyogini in textile crafts in Pugal block of Bikaner district in Rajasthan since its inception in 2003 up to when it moved from direct implementation to a facilitating role in December 2009.

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LOCATION AND SOCIAL BACKGROUND

Pugal block is 30 km from the Pakistan border. The area is in the great Indian Thar Desert, with an extremely arid climate. In summer, the temperatures rise up to 50° C. Strong, hot, desert winds cause the sand

to cover roads and pathways, and make access to villages in the area very difficult. The villages are dispersed and poorly connected by public transportation. The nearest town, two hours away, is Bikaner. Most of the people in the area are refugees from Pakistan, who came to India during the 1965 and 1971 wars between India and Pakistan. The area has both refugee settlements and indigenous habitations. Many settlers were given land by the government when they came across the border.

However, with the paucity of rainfall and under-developed irrigational facilities in the area, agriculture is seasonal and subject to drought conditions every few years. The women of the Meghwal community, the settlers that came from Pakistan, are highly skilled in traditional embroidery. Others such as Rajputs, Suthars and Jats came from other parts of India and have also acquired some skills in making products of low value, suitable for the mass market. However, restrictions on the mobility of women have limited their opportunities for earning a decent living. The patriarchal structure restricts Rajput women.

The study has found that limited rain-fed agriculture provides income and employment for one or two seasons (3–5 months); families earn additional income from the women’s handicrafts work for another 6–8 months in the year. More important, the women control

the income from the handicrafts sector. There has been a thriving market for embroidery products of Pugal since the settlements were established in 1965. From the beginning, the women undertook job works, supplying products on a piece-rate basis through local traders to wholesalers and exporters located in Barmer district on the Gujarat border. The traders in Barmer—‘the handicrafts hub’ of Rajasthan—provided the women with fabric, thread and designs for embroidery.

In 2004, the annual turnover of the business was estimated to be approximately Rs 130–150 crores (\$28–33 million), providing livelihood opportunities to roughly 60,000 women in rural western Rajasthan. An analysis of the same market by Udyogini in 2005–06, when it was experiencing a slump, showed that the turnover does not go below Rs 80–100 crores, even during a slowdown. However, this market provides only intermittent work in the form of job works for very low margins per piece. Nearly 75 per cent of their production was (and is) concentrated in home-based work in three to four clusters within Barmer district. Pugal’s share in this market was only around 5 per cent. This was partly because there were only a limited number of skilled and semi-skilled suppliers in Pugal (whereas Barmer had a highly skilled producer base), the transportation costs from Pugal too were high, given the distance between Bikaner and Barmer.

The women in Pugal wanted better margins and regular work (for at least four hours per day, 20 days a month and for 6–8 months in the year). They were working for local

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traders, and they thought that their skills and their bargaining capacity were being compromised because there were no benchmarks for design, quality or price. The women felt unsupported in the area in other ways too.

When Udyogini began work in the area in 2003, the women were not in favour of the formation of Self-Help Groups (SHGs) and internal lending because of lack of mutual trust among the members. The area had not seen any good SHGs despite many SHGs having been started. Most producers saw SHGs as a way to pull in government funds, rather than build sustainable savings and credit associations. There was, and still is, a large default rate of such SHGs in the local banks. And because there seemed to be no great demand for consumption credit, Udyogini, at the inception of the programme, did not take the route of linking income generation work with SHG development.

PROGRAMME OBJECTIVE AND PERSPECTIVE

The objective of the programme was to develop local enterprises and a supply chain in a region that is normally considered inhospitable for such enterprises. The women of Pugal were excluded, socially secluded, had poor access to infrastructure and were considered to have a low socio-economic potential. Udyogini estimated that in Pugal and the surrounding villages, around 2,500–3,000 women could potentially earn a livelihood from handicrafts.

In 2003, only women from the Meghwal caste, who had superior skills in traditional embroidery, were targeted for support. Within a year, Udyogini realized that the

development of an enterprise that focused only on highly skilled producers was unlikely to achieve the desired results. First, their income expectations would require high-end and perhaps export-oriented market linkages that would, in turn, require considerable seasonal adaptation among the artisans, in terms of colours, fabrics and products. This would be self-limiting, in terms of the number of artisans, who could meet these requirements. Therefore, scalability within a reasonable time was clearly going to be a challenge. Moreover, as we now know, niche markets dry up during a worldwide slump, posing fresh livelihood challenges for highly skilled but poor artisans. Second, the cost of developing such a business would be high, requiring large investments in design, product development and brand building over many years without the assurance that the supplier base would be able to meet the requirements of up-market consumers. Third, the sustainability of the model would require a promoting institution. There was need for long-term, more expensive, professional human resources development, for creating and maintaining a value chain for an up-market segment.

Instead, Udyogini decided to focus on systematization, manufacturing capacity, quality and price benchmarks, to supply and expand the market for mid-range products. This would enable a larger number of artisans to be skilled and employed and, possibly, attract the bigger and more organized retailers at a later stage.

STRATEGY AND OPERATIONS

Handicraft Genre and Skill Development

Udyogini took a high-volume, low-margin, per piece approach that would involve a large number of low- to medium-skilled women or even unskilled women, in order to reduce the

barriers at entry, which up-market focus would have imposed on the organization and the artisans. The women in Pugal worked for very low rates and unskilled women did not earn their livelihood from the craft at all. These were women from the Rajput and other castes, not Meghwals. Instead of focussing on product development and related marketing investments, the intervention by Udyogini focussed on improving the efficiencies for the existing market through improved quality, productivity, benchmarking and systems for the existing range of products and designs. This, they felt, would enable greater standardization. Two existing low-end craft genres—appliqué and silk-thread embroidery—were developed for the purpose. This process, Udyogini believed and hoped, would lead to a self-sustainable cluster model within five years, which could become largely independent of the promoting institution within 6–8 years.

Market research showed that there was a demand for appliqué work in a range of market segments, depending on the quality, the design and the fabric used. On the supply side, standardization of quality was possible because of the minimalist forms of appliqué work (white on white colour palate and simple designs). If the quality of workmanship were high, the margins would also be high, depending on where it was sold. On the other hand, for products of silk thread with mirror-work embroidery, the returns would go up only marginally with an improvement in workmanship because of the market positioning of this product. Nevertheless, for the low-skilled and newly skilled women, this would generate some income at times when agriculture was not productive, for example, through the drought years.

Thus, Udyogini increasingly supported a larger number of women in Pugal with skill development in appliqué. The strategy change resulted in rapid coverage and within one year more than 500 women developed or upgraded their skills whereas, prior to this, Udyogini had managed to support only 75–100 women with skills required for an up-market segment. Within six years, Udyogini had trained nearly

1,000 women in basic and high-quality appliqué and upgraded their skills in silk thread embroidery, making them all eligible for employment in the mid-market segment. About 250 women were highly skilled and could make up-market appliqué products. The differential earnings over a period of time were a result of market fluctuations, irregular orders and quality inconsistencies, and not just because of the skills of the women. Some women did earn more because of the consistency of the quality of their work and their strict adherence to schedules. Apart from Rajputs, Jats, Suthars, the programme also included Muslim women, who had never been employed earlier. By the end of 2009, there were 70 Muslim women working on orders brought by Udyogini.

The choice of the market segment and the corresponding skill development facilitated the development of clusters fairly rapidly, covering 80 per cent of eligible women in contiguous villages in a single craft genre. Three such clusters, Pugal, Shivnagar and Adoori, were developed and became 'trademark' appliqué clusters. The latter two are Rajput-dominated and have been recognized by the Government of Rajasthan

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under its Cluster Development Programme, and funds were earmarked for this from the Industries department. This was the first recognition of its kind for a group of villages in the Pugal block.

Business Process and Supply Chain

Upgrading the quality of a 'lower-grade' craft helped the existing traders supplying to Barmer to obtain better quality from Pugal than earlier. In 2004, in terms of size, micro-firms (with an annual turnover of less than Rs 10 lakhs) in Barmer dominated the production landscape. In fact, 53 per cent of the firms belonged to this category. However, they contributed only 8 per cent of the volume of the sector. On the other hand, 7–10 large firms, which accounted for only 4 per cent of the total firms, captured 51 per cent of the market share. They continue to be the important linkages for the mid-market segment of Pugal. There are low barriers to entry and exit for local traders supplying to these firms and, therefore, there are always opportunities for new entrepreneurs from Pugal to take advantage of this market.

By not changing the market, Udyogini reduced the costs of product development and used, instead, the existing job work mechanism to build incremental quality and skills improvement. Local people were trained to oversee production and quality; hence, there was no need for professional designers. The traders themselves trained the women to improve their skills. The incentive to improve their skills was the ability to offer better quality to the market and, therefore, earn higher returns. This was

a significant contribution to the existing market because for niche markets, product development and related skill development are key investments.

Along with the skills training, Udyogini organized Grassroots Management Trainings (GMTs), that enabled artisans

to understand the product manufacturing process as well as costing and pricing. This knowledge helped the artisans bargain for better rates because the quality of the product had improved. The traders already working in the area, who produced goods that matched the new benchmarks, were able to continue to do business and those whose products did not measure up stopped working. Of the 25 traders that worked in the area, only four remained five years after Udyogini began working there. Udyogini began work in 10 villages initially but expanded to 30 villages by 2009. The two-appliqué clusters of Adoori and Shivrinar are 15 and 45 km away, respectively, from Pugal town. The farthest cluster of villages, to which business development service (BDS) is provided, is 60 km from Pugal. In order to enable efficient operations across such distances (characterized also by poor connectivity by public transport), it was important to link these villages to a central production and distribution centre in Pugal.

Each village or cluster of villages also needed a distribution and collection centre from which women could take the raw material and return the finished goods. These served as production centres only for women of the village in which the centre was located because seclusion limited the others to home-based production. These centres also served

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as training centres for management and technical skills for women. Udyogini identified local persons to work as production supervisors (called business development service providers, or BDSPs) and carefully nurtured a few to take on more entrepreneurial roles, that is, visit

Barmer regularly to get more links and orders, get exposure to the market by participating in exhibitions, and manage the BDSPs working in their cluster. In order to infuse business principles into the operations as early as possible, Udyogini ensured that there was a gradual reduction in salary-based work of the BDSPs so that within a year or two of a woman being employed as a BDSP, she would shift to a commission-based system, in addition to her salary.

The Udyogini-trained entrepreneurs were given villages to develop as clusters, to ensure that at least 80 per cent of the eligible women in the selected villages became skilled, graded and involved in production. These entrepreneurs themselves became proficient in reaching out to non-Barmer-based wholesalers and brought in numerous orders for the employment of a range of skilled women. They also managed the production of such market-differentiated goods in their clusters as well as the distribution and collection through the Pugal hub and their assigned village centres. By far, the single biggest cost in this distribution and collection chain was transportation (15 per cent). Udyogini subsidized this cost during skill development and business process establishment and consolidation phase that lasted five years. Udyogini considered this a necessary concession because the market had

already contributed the major cost of skill development. Women artisans had stayed with the programme and despite their average earnings, the BDSPs accepted the shift to salary plus commission-based remuneration (although they did not prefer it). Transportation costs were incorporated into the price of the product from the sixth year onwards. This did not have an impact on the viability of the business because simultaneously there was a shift to a cheaper mode of transportation, a switch to an entirely commission-based compensation system for the BDSPs as well as some changes in the arrangements for the supply of raw material and the procurement of the finishing services.

Entrepreneurship and Producer Institution

Udyogini-created entrepreneurs began working under the overall supervision of an institution called UJAS, a registered Society of artisans, established in 2004. The bringing of all the producers under the umbrella of UJAS helped establish a brand identity for the products. With the initiation of branding, UJAS-manufactured products were separated from those made for other buyers dealing with low- to mid-range products. Producers were differentiated according to their skill, that is, those who were better skilled would make the branded products. With the increasing visibility of the better quality products and orders from more up-market buyers, UJAS-branded appliqué cushion covers, bed covers, dress and running material were made for inventory and mainly sold in exhibitions. The same high-quality products were also supplied against orders to retailers and wholesalers dealing in this market segment. UJAS continued to supervise the job-work for silk-thread embroidery cushion covers and some

appliqué products, providing employment to lower skilled and newly skilled women.

In the early stages of the life cycle of the organization, job-works constituted 80 per cent of the employment generation for women trained by Udyogini. It came down to 40 per cent of the portfolio of UJAS by 2009. The identity of UJAS grew stronger with trained entrepreneurs working under its umbrella; it became better known in Rajasthan, particularly in government circles, than Udyogini! The entrepreneurs gained knowledge and established contacts during the training and marketing support. Each entrepreneur was made in charge of her/his own production cluster and this gave them lessons in management. Three entrepreneurs qualified for social venture capital from a South India-based institution and made Udyogini their first partner in Rajasthan.

UJAS was conceived as an institution that would be owned and operated by artisans. However, the mix of castes that Udyogini-trained artisans represented and the low market awareness of the participating women posed a challenge to the creation of a strong UJAS within the schedule of five years that Udyogini had set for such consolidation. The growth of business operations was primarily the result of entrepreneur efforts.

Hence, some contradictions of individual entrepreneur growth and producer-institution ownership inevitably came to the fore in the later phase of the life cycle of the institution. One entrepreneur left UJAS after a three-year tenure (that had begun with her appointment as a BDSP) and consolidated her position in the cluster she had been given by UJAS. Whereas she had left UJAS to grow on her own, another left because her capacity and risk-appetite did not match the requirements

of growth. Nevertheless, UJAS continued to train more women (and men) BDSPs to increase its own management capabilities. It also began to incorporate social security measures for women, particularly child care. In 10 villages, crèches for young children were established. The teachers and helpers in the crèches were also trained and called BDSPs to signify the essential link between improved artisan capability and effective social security.

The crèche programme is a government-funded programme and is the first grant that the UJAS society has directly received.

Udyogini's three-pronged market development strategy comprised encouraging better paying and, hence, surviving traders; Udyogini-trained entrepreneurs worked on their own; and entrepreneurs and BDSPs worked with UJAS. This produced a combined turnover of around Rs 50 lakhs in 2008–09 for 900–1,000 women. Because the share of UJAS in this turnover was a little over one-third, Udyogini was clearly more successful in market and local entrepreneur development than in strengthening UJAS as a business organization. Overall, the women are estimated to have increased their income from between 2 and 40 per cent.

The resilience of UJAS in the face of better business performance by those outside the organization, even as Udyogini moved into a facilitating role, is encouraging for the sustainability of the institution. Indeed, it has developed leadership among the entrepreneurs in a way not seen before. UJAS has been able to raise small funds from the

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government and attract the attention of two leading socially inclined private firms from the state that supply the products to up-market domestic customers and higher-end export markets. One of them has expressly stated that she wishes to strengthen UJAS by buying from the institution rather than from one of the entrepreneurs in the area. UJAS member artisans complete these new orders (that reach FabIndia, a

prominent crafts retailer) and receive better margins than from the earlier buyers. There has already been one repeat order from the market, suggesting that UJAS has a better grip on servicing this segment than before.

More significantly, UJAS is introducing value-added skills for its members that were earlier outsourced, such as cutting, pasting and tailoring (to take place mainly in the Pugal hub). It has also been allotted a retail outlet in Bikaner by the district government. UJAS has begun to pay a modest fee to Udyogini for its BDS, demonstrating thereby its continued commitment to business principles that were introduced early in the life cycle of the project. Cluster development seems to have triggered an interest and motivation among artisans to form SHGs, which are now strengthened with NABARD funds, and is closer to qualifying for support from banks.

CONCLUSION

Udyogini built its intervention by harnessing the strengths of the existing market operating in Pugal. It focussed on widening the markets for the products and opportunities for the artisans, thereby increasing the earning for

the women not only through UJAS, the producer institution, but also through the entrepreneurs from the area and outside. By 2009 end, 1,100 women in 30 villages were filling a variety of orders and supplying to a diversity of markets.

The initiative, however, continues to face challenges because trained BDSPs and entrepreneurs want to leave UJAS and work on their own. Udyogini, however, views this as sustainable market development that can strengthen employment opportunities for local women artisans. At the time of writing this, there are five or six local entrepreneurs based and working in the area, giving appliqué and silk-thread embroidery work to women trained in the skill by Udyogini. Sunita, the first entrepreneur to be developed under UJAS (and also the first one to leave it), has a turnover of Rs 12 lakhs per annum. If the competition from Sunita and the others

continues to catalyze UJAS to improve its governance and capabilities, the overall benefits to all players, across a range of market and skill segments, will continue to widen and deepen. It will also lead to the creation of economic wealth and greater empowerment of the women in area.

The modest investment and high returns strategy all along the chain, starting from Udyogini, has largely paid off and has resulted in socio-economic returns on a scale that the organization had set for itself. Admittedly, some aspects, such as the UJAS business model, could have been strengthened much faster but that would have required higher quality and better paid professionals willing to live in the area. This continues to remain a serious challenge given the location as well as Udyogini's cost considerations and its commitment to inculcate entrepreneurship principles amongst its professional managers.