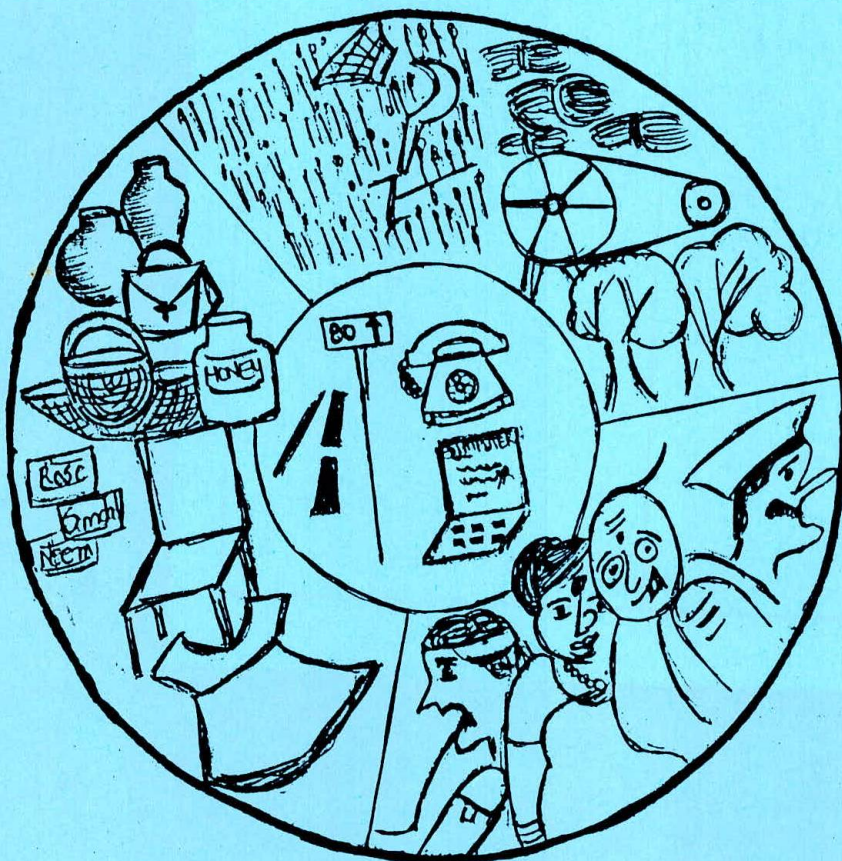


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**Management Development Programme
On
Marketing of Rural Products
By NGOs
(22nd-27th September 2003)**



**Sponsored By
National Bank for
Agricultural and Rural
Development (NABARD)**

**Organized By
Narsee Monjee Institute of
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MANAGEMENT DEVELOPMENT PROGRAMME

ON

**Marketing of Rural Products by NGOs
(22-27th September 2003)**

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Marketing Of Rural Products By NGOS

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Preface

A revitalized rural non-farm economy (RNFE) is vital to addressing key poverty issues in rural areas. It is the engine for local economic growth and improved opportunities – not just for simply increasing incomes, but also to provide a wider range of employment opportunities that (potentially) offer a better quality of life and increased opportunities to large numbers of the disadvantaged.

The recipe for poverty alleviation now is "micro-enterprises organized by self-help groups supported by NGOs and micro-credit". This is also the pathway recommended by Mahatma Gandhi, who taught us that the most important duty of independent India is to enable every woman and man to earn his or her daily bread, through technologies based on the principle of production by masses. Free trade ceases to be fair trade when the products of mass production technologies compete with those produced by production by masses (i.e., micro- enterprises). Small micro entrepreneurs constantly face the risk of commodity/product market failure because of lack of information on market demand. Secondly there are other important constraints like lack of power/water supply/roads and marketing support networks. Some of the progressive NGOs made attempts to help these rural entrepreneurs in marketing their products, but have said to achieve only a limited success. This calls for strengthening both marketing strategies of NGOs as well as marketing skills of NGO staff.

NMIMS is a leading business school, which also plays an important role in strengthening the capacities of social development sector through designing need based training intervention and working with NGOs. Teaching marketing and other related subjects has been one of our core competencies hence we have decided to strengthen the rural NGO sector by organizing MDPs in the area of "Marketing of Rural Products". **We are thankful to NABARD for strengthening our intervention by sponsoring this MDP. It is a matter of appreciation that NABARD has recognized the need for a systematic training in the subject of 'marketing rural products by NGOs'.**

The present MDP aims at orienting and upgrading knowledge of NGO Executives in performing major tasks related to marketing such as product promotion, pricing, product diversification and development, market expansion, product positioning, branding, exporting, networking and so on.

This compendium is intended to supplement the presentations and discussions and thus serve as a source of reference material, especially as materials related to marketing of rural products by NGOs is scattered and not easily accessible. The reading material compiled in this compendium is divided in to seven sections.

- The first section reviews the government intervention for providing self-employment and provides information about the various schemes launched by NABARD, KVIC, and others.
- Section two deals with analyzing the issues affecting marketing of rural products and strategies to overcome the same.
- Section three deals with basic 'Fundamentals of Marketing', aspects of 'Design and Product Development' and also includes articles on Handling and Packaging of Horticulture products and Milk
- Section four highlights strategies and processes required for export promotion

- Section five carries information about possibilities to market rural products through E-marketing
- Section six contains case studies which highlight how NGOs have been able to strengthen the micro enterprise units and develop marketing strategies of NGOs involved in promoting micro enterprises
- Section seven provides important information about important addresses and information required to support your "Marketing Efforts"

Although the contents of this compendium are best understood in the light of the objectives and content of the MDP, the compendium will be useful for all those who are interested in the strengthening the marketing support initiatives of the NGOs

My special thanks are due to my colleague Dr. Naresh Singh who placed his faith in me and gave me the responsibility of coordinating this programme. He readily submitted the case study compilation and few other articles, which he had with him for the purposes of this compendium.

I owe my thanks to Dr. Sunanda Easwaran, Dean, NMIMS who needs a special mention here because it was she who helped us in logically sequencing the entire programme. Dr. H. Mankad, Vice-Chancellor and Dr. N. Kondap, Pro-Vice chancellor and Dr. BalaKrishnamoorthy, Head, General Management have always provided us with enabling environment to take up new assignments. I take this opportunity for expressing my gratitude to them.

Mr. Akshat Kaul and Mr Aarohi Vaishnav our MBA students have borne the main brunt of formatting the articles after they were downloaded. I acknowledge their efforts in helping me to bring out this compendium. Cheryl D'souza, my secretary, readily agreed to reformat the articles, type out new ones and has extended her wholehearted support to prepare this compendium. I express my heartfelt thanks to her. I am thankful to Ms Shobha Pereira, office secretary, for always giving us unstinting support in managing all the unending tasks to carry out our MDPs. I am equally thankful to Mr. Sanjay Pai for extending his cooperation in typing out a few articles for this compendium.

My special thanks are also due to my family members who shared my additional responsibilities at home so that I could concentrate on my work. Without their support I would not have been able to complete this assignment.

Dr. Meena A. Galliara,
Programme Coordinator
NMIMS

Section I



The papers in this section highlight how over the years Government of India through Ministry of Agro and Rural Industries and Textiles have devised their schemes to activate self-employment. The schemes initiated by NABARD to strengthen the self-employment and micro enterprise sector also have been separately documented.

Review of Self-Employment Programmes Initiated by the Government to Alleviate Poverty through Self Employment Programmes¹

One of the major components of the anti-poverty programmes in India was the self-employment programme, the most extensive of which was the Integrated Rural Development Programme (IRDP), launched in 1978. The basic aim of IRDP has been to provide assets to the asset-less target groups (such as small and marginal farmers, agricultural labourers and rural artisans) through income-generating activities that would enable them to break the poverty cycle. IRDP has been successful in providing incremental income to poor families; however, it has not been adequate in enabling the beneficiaries to cross the poverty line on a sustained basis, mainly because of low per family investment. Inadequate development of infrastructure, forward and backward linkages and market facilities has been another area of concern under IRDP.

The major achievement of IRDP was the promotion of on-farm activities in the animal husbandry sector, such as dairy, poultry, fishery etc. for the benefit of small and marginal farmers. Land assets being limited, provision of non-land assets to the poor was an alternative way of achieving income generation. Given their labour-intensive and land-saving nature, the poorer households were better suited for those activities. The growth of the dairy sector during the 1980s was much helped by the Operation Flood Project, an integrated dairy development programme started in 1970. Wherever dairy projects were promoted under IRDP along milk routes, the small and marginal farmers making use of infrastructural facilities were able to bring about sustained increase in their income levels.

The third major area of IRDP assistance to the rural poor was in the small business and services sector. Since a large segment of the rural poor are landless, around 50 per cent of IRDP activities have now been concentrated in the secondary and tertiary sectors. Assistance has been offered to those rural poor with no access to land by introducing suitable projects based on local resources and local requirements. Those projects include processing industries, handloom production and handicrafts etc. The success of IRDP activities in that sector has been dependent on the development of a skill base among the poor, the upgrading of technology, the establishment of forward and backward linkages, and the availability of infrastructure and marketing tie-ups. In view of the diversification of the rural economy and the growth potential of the non-farm sector, the need remains to further strengthen ISB sector activities under IRDP.

Three IRDP sub programmes have been implemented during the past few years to supplement the efforts on self-employment. Launched in 1979, the Training of Rural Youth for Self-Employment (TRYSEM) was aimed at providing basic technical and managerial skills to the rural youth from families below the poverty line to enable them to take up self-employment in the broad fields of agriculture and allied sectors, industries, services and business

¹ Dr. Meena Galliara, Associate Professor, NMIMS

activities. That objective was subsequently enlarged in 1983 to include wage employment for trained youth. TRYSEM played an important role in facilitating the diversification of activities taken up under IRDP. In 1992, a sub programme was launched to enable rural artisans to enhance the quality of their products, increase their production and income, and to ensure a better quality of life with the use of improved tools. Under the scheme, artisans from different crafts and who were living below the poverty line were to be given improved tools to enable them to enhance the quality/quantity/market potential of their products; the aim was also to prevent migration to the urban areas. The third sub programme, Development of Women and Children in Rural Areas, was launched in 1982. Initially, it was implemented in only 50 districts as a pilot scheme; later, it was extended to all districts.

Rural industrialization

The promotion of cottage and village industries has been an integral part of Indian planning. The Industrial Policy Resolution (1956), recognized the importance of decentralized centres and their close linkages with the large industries. All the five-year plans gave attention to improving productivity skills and opportunities in the rural industrial sector. To encourage industry in the backward areas, schemes for a transport subsidy and an investment subsidy were designed. Small and village industries were recognized as a major avenue of employment in rural and semi-urban areas. The strategy of the plans has been one of encouraging research and innovation in traditional occupations, upgrading of technology, the dispersal of industries through the growth centre approach and the setting up of infrastructural development centres for tiny units in rural areas.

In the new economic order rural, industries will have to focus special attention on technological upgrading and modernization, in order to compete efficiently and increase productivity. Their product planning strategy must be reoriented to enhance their share in the domestic and international markets. Approximately 7 per cent of rural households are engaged in industrial activities. With the increase in agricultural production and with more availability of local resources and skills, the rural areas will provide better scope for setting up of agro-based industries. State intervention, particularly in the areas of strengthening basic infrastructural facilities in rural areas, will help in creating a favourable investment climate. The central government has also been vigorously pursuing self-employment opportunities through the development of rural industry. The scheme of the Prime Minister's Rojgar Yojana (PMRY) is aimed at helping youths to set up micro-enterprises in urban as well as rural areas. Similarly, the Khadi and Village Industry Commission has taken up a number of self-employment schemes aimed at promoting village and cottage industries and, at the same time, opening large avenues of employment.

Marketing

The marketing of farm products in India, by and large, operates under the normal forces of supply and demand. Private trade is the centerpiece of the Indian market mechanism. Government intervention is limited through mainly

farm support policies and the promotion of organized marketing of agricultural commodities. To achieve that objective, most of the State governments have enacted the legislation necessary for the regulation of agricultural produce markets. A number of organizations and institutions currently function to deal with product- and area-specific problems that have a bearing on production, pricing and marketing of agricultural products. The most important of those institutions are the Food Corporation of India, the Cotton Corporation of India, the Jute Corporation of India and the Commodity Boards. Agricultural marketing is also closely linked to a network of cooperatives at the primary, State and national levels. Marketing cooperatives are operating in almost all mandis. Cooperative societies are functioning in the area of fruit and vegetable processing, sugarcane crushing, cotton ginning and pressing etc.

The marketing of agriculture produce through cooperatives has registered a remarkable growth. At the national level, NCDC plans and promotes programmes for the production, processing, marketing, storage, export and import of agricultural produce through cooperatives. The National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) is an apex cooperative organization dealing in the procurement, distribution, export and import of selected agricultural commodities. NAFED is a central nodal agency for undertaking price support operations for pulses and oilseeds and market intervention operations for horticultural items such as onions, potatoes, grapes, black pepper and red chillies etc. A few other organizations in the cooperative sector are the National Cooperative Tobacco Growers' Federation as well as the Tribal Cooperative Marketing Development Federation of India Ltd, which attends specifically to the marketing problems of the tribal areas. Specialized commodity boards continue to operate for rubber, coffee, tea, tobacco, spices, coconut, oil-seeds and vegetable oils, horticulture etc.

The National Dairy Development Board (NDDB) is also engaged in the marketing of agricultural commodities. Separate Directorates have been functioning for the development of raw agricultural materials like sugarcane, jute, tobacco, oil-seeds, rice, millet, cotton, pulses, cashew nuts, cocoa, spices etc. Various organizations are active in the field of agricultural commodity exports, such as the State Trading Corporation, the Cashew Nuts Export Promotion Council, the Shellac Export Promotion Council and the Agricultural and Processed Food Export Development Authority, all of which also promote/boost agriculture exports. The role of cooperatives in the total marketing of agricultural produce, although relatively small, has been progressively expanding. Success in raising the level of milk production and marketing is ascribed to the Operation Flood Project. Started by NDDB, the project is basically designed to link rural milk producers with urban consumers and is currently in its third phase of implementation.

The following papers in this section highlight how over the years Government of India through Ministry of Agro and Rural Industries and Textiles have devised their schemes to activate self-employment. The schemes initiated by NABARD to strengthen the self-employment and micro enterprise sector also have been separately documented.

AGRO AND RURAL INDUSTRIES¹

A separate Ministry for Agro and Rural Industries has been created in September, 2001 to take initiatives to provide more employment opportunities in rural areas and to promote the village industries. A package was devised in accordance with the Government's prime objectives of creating more jobs in rural areas and empowering the women and backward classes in the country.

Rural Employment Generation Project Scheme

The Government is implementing the Rural Employment Generation Project (REGP) scheme through Khadi and Village Industries Commission (KVIC) to promote and develop village industries including agro industries in the country. Under this scheme, till December, 2002, a total number of 19,14,397 employment has been generated by setting up of 1,52,509 rural industrial units in the country. Under this programme, the KVIC provides margin money assistance to rural entrepreneurs.

Khadi and Village Industries Commission

The total export of Khadi and Village Industries products were made to the tune of Rs 21.62 crore and total sales of Rs 15.39 crore during the year 2001-02. New Package for the Khadi and Village Industry was announced in May, 2001 to make it viable and vibrant in the new era of globalisation. The package included, among other things, the rebate policy for five years, option for rebate and marketing development assistance and cluster development programmes etc. In collaboration with UNDP, a project amounting to 2.5 million dollars was launched for bee keeping, pottery, hand-made papers and capacity building of KVIC. Additional funds to the tune of Rs. 1,215.85 crore have been provided for the programmes under the package during the next five years.

Rebate Policy for Five Years

A new rebate policy was formulated for a period of five years to boost khadi products. There would not be any change in normal rebate of 10 per cent throughout the year. The special rebate, which used to be given at the rate of 10 per cent for a period of 90 days only has been extended to 108 days on staggered basis i.e. 7 days in each month and for the whole month of October.

Options of Rebate and Market Development Assistance

As a measure to give incentives to the institutions for producing innovative designs and marketable products, a new scheme of market development assistance (MDA) at the rate of 20 per cent of the annual turnover has been introduced as an option in place of rebate.

¹ <http://pib.nic.in/archieve>

Additional Working Capital

To tackle the problem of lack of credit, the term loan of Rs. 300 crore was given to khadi institutions, was converted into working capital and a fresh line of credit of Rs. 250 crore as working capital has been provided.

Insurance Cover to Khadi Artisans

Group Insurance Scheme for khadi artisans was introduced on July 27, 2001. The scheme, namely Janashree Arogya Bima Yojana, covers up almost 4 lakh artisans engaged by khadi institutions, death, disability and disease.

Quality Improvement

In order to make the marketing of khadi products more attractive, the focus henceforth is on quality. National Institute of Design of Ahmedabad, was roped in for better designing and development of khadi products. Mahatma Gandhi Institute for Rural Industrialisation at Wardha, through linkage with IIT, New Delhi, is coming up with product development, standardisation, quality control and research for khadi products. The quality of products will be certified through labs accredited by NABL.

Cluster Development Programme

In order to strengthen khadi and rural industry, a scheme of cluster development has been initiated. At these clusters, common facilities will be created for innovation, technology upgradation, packaging, processing, testing and e-commerce. Setting up of a marketing company for boosting the sales of products both in India, as well as abroad, has also been taken up.

Focus on Core indigenous Areas

An amount of Rs. 275 crore as assistance has been earmarked for a few selected indigenous areas, namely, herbal cosmetics and medicines, honey, organic foods, edible and essential oils. These employment intensive areas will not only be provided financial assistance, but also technical support.

Comprehensive Policy Package for tiny Sector

The Prime Minister announced a comprehensive policy package in August, 2000, which includes preferential allocation of plan, power facilities, technological upgradation, liberal institutional finance support and priority in Government purchase.

Credit Support to Tiny Sector

Composite loan upto Rs. 25 lakh to tiny sector at 1 per cent concessional interest rate by National Small Scale Industries Corporation is being provided. The project cost limit has been raised from Rs. 25 lakh to Rs. 50 lakh and 30 per cent of the investment has been earmarked for the tiny sector.

Investment limit for the tiny sector under Prime Minister's Rozgar Yojna to generate employment for the educated unemployed, continues to be Rs. 25 lakh,

and the family income eligibility limit of Rs. 24,000 has been revised to Rs. 40,000 per annum.

Infrastructural Support to Tiny Sector

Integrated Infrastructure Development (IID) scheme will now to cover all areas in the country. Under the scheme, 50 per cent of the plots have been earmarked for setting up tiny sector, as against 40 per cent earlier.

Technology and Marketing Support

Capital subsidy has been provided to tiny sector for technology upgradation, organising buyers and sellers meet, vendor development programmes and exhibitions. On March 16, 2003, the KVIC signed MoUs with several IITs, NITs, IISC, IGNOU and some other research scientific institutions to help rural industrialisation as well as value addition to its products.

Coir Sector

Export of coir yielded Rs 450 crore during the year 2002 (till November) in comparison to Rs 320 crore in 2001-02. The demand for Indian coir products is increasing globally. As a result, India has exported 1,825 tonnes of coir geotextiles worth Rs. 8.65 crore (till February, 2003) as compared to 1,752 tonnes worth of Rs. 7.80 crore during the year 2001-2002. The Coir Board has been reconstituted to provide better infrastructural support through cluster development, consortium market and assured supply of quality raw material. Steps have been taken for market promotion, technical upgradation, and skill development through bilateral cooperation with other coir producing countries. The Board is continuously focussing on product development and diversification to meet customer preference through R&D.

SMALL SCALE INDUSTRIES

Ministry of Small Scale Industries is the nodal Ministry for the formulation of policy, promotion, development and protection of Small Scale Industries in India. The Ministry of Small Scale Industries and Agro and Rural Industries (SSI&ARI) was created on October 14, 1999 and was bifurcated into two separate Ministries namely, Ministry of Small Scale Industries and Ministry of Agro and Rural Industries on September 1, 2001. The Ministry of SSI designs and implements the policies through its field organisations for the promotion and growth of small-scale industries.

While development of SSIs is primarily the responsibility of the State/UT governments, the Central Government has taken several steps to improve their performance by implementing various schemes, such as integrated infrastructure development, technology upgradation, marketing and entrepreneurial development.

On August 30, 2000 the Prime Minister announced a comprehensive Policy Package for the promotion and development of small-scale sector to enhance its competitiveness, both domestically and globally. The policy package consists of enhanced fiscal and credit supports, better infrastructure and marketing facilities and incentives for technology upgradation.

Technology Upgradation

In the changing scenario of economic liberalisation, National Small Industries Corporation Limited (NSIC) has increased its training capabilities by entering into high-tech areas such as computer application, electronics. It has set up Software Technology Parks (STPs) for the SSI units to facilitate software export. NSIC also provides concessional terms in its lending for development of rural and backward areas and also extends this facility to units promoted by entrepreneurs from the weaker sections of the society.

Credit Guarantee Fund

The Credit Guarantee Fund Scheme for Small Industries is being implemented by the Government through the Credit Guarantee Fund Trust for small industries with the corpus fund shared by the Government of India and the Small Industries Development Bank of India in the ratio of 4:1. The objective is to extend guarantee cover for mitigating credit risk upto 75 per cent of the collateral free credits subject to a maximum credit of Rs. 25 lakh per unit. The scheme is being operated all over the country.

Rehabilitation of Sick Units

The Government has taken various measures to facilitate timely identification and rehabilitation of potentially viable sick units, which inter-alia include institutional mechanism in the form of State-level Inter-Institutional Committees (SLIICs), special rehabilitation cells in banks and state financial institutions and elaborate guidelines issued by the RBI for extending rehabilitation assistance to eligible units.

Khadi Package

The Prime Minister announced the Khadi Package on May 14, 2001 involving an outlay of Rs. 1,215.85 crore for the accelerated development of Khadi and Village Industries (KVI) programmes. The package components include long-term rebate policy, insurance for artisans and working capital assistance.

Initiatives for North Eastern Region

The Government has announced a number of initiatives for the development of SSIs in the North Eastern region at the national convention on SSIs on August 30, 2001. A task force comprising all North-Eastern State Ministers in-charge of SSIs has been set up specifically for that region.

Marketing Assistance Scheme

SSIs face problems in marketing of their products. To help small-scale industries in marketing their products, NSIC has been acting as facilitator to promote marketing of SSI products. NSIC has, over a period, devised a number of innovative programmes for the support of SSIs in the field of marketing, both in and outside the country. These include raw material assistance, internal marketing, and consortia approach for small units producing the same products.

Export Marketing

The NSIC has adopted a 'single window' assistance approach for the export of products of small-scale industries. The Corporation has concerned itself with development of small units, which have gradually acquired the capability to independently handle exports of their products. Many small units, which had started their export business with the assistance of the NSIC, have now acquired sufficient experience so as to be able to export directly.

Loans for SSIs

With a view to providing loans in time to SSIs, the Reserve Bank of India (RBI) has advised the banks that all loan applications upto Rs. 25,000 should be disposed off within two weeks and upto Rs. 5 lakh should be disposed off within a period of four weeks provided the loan applications are complete in all respects.

Access to SSI Information

Steps have been taken to improve access to SSI information included comprehensive knowledge portal launched for SSIs on August 30, 2001 (www.smallindustryindia.com) and (www.laghu-udyog.com) .

Handicraft Sector in India¹

The Handicrafts sector enjoys a special significance in the country's economy in terms of employment generation as well as earning of foreign exchange through exports. Estimates based on the population census, survey (NSSO), NCAER survey and other studies and information available for the unorganized cottage industry sector reveal that the annual growth rate of employment (both direct and indirect) in the handicrafts sector could be around 2.5%. Based on this, it is presumed that during the 9th Five Year Plan, employment in the handicrafts sector increased from 52.92 lakhs in the year 1997-98 to 56.99 lakhs in 2000-2001 and is estimated to reach 58.41 lakhs by the end of 9th Plan i.e. 2001-2002. Out of the total work force in this sector, women constitute 46.8%, SC/ST (37.11%) and minority (23.89%) Handicrafts being a state subject, its development and promotion is the primary responsibility of the State Governments.

However, the Office of the Development Commissioner (Handicrafts) has been supplementing their efforts by implementing various developmental schemes at the central level for the handicrafts sector. This office was implementing 34 schemes during the 9th Plan and based on the zero based budgeting principle, this number has been brought down to 8 generic schemes in the 10th Plan. Out of 8 new generic schemes to be implemented in the 10th Plan, 7 schemes namely Baba Saheb Ambedkar Hastashilp Vikas Yojana, Design and Technical Up gradation, Export Promotion, Marketing Support and Services, Research & Development, Training & Extension, Financial Assistance to State Handicrafts Development Corporation/State Apex Societies have been approved for implementation so far.

The other scheme titled "Infrastructure Projects – Societies of Central Government working under the overall control of office of Development Commissioner (Handicrafts)" is under consideration/submission for in principle approval from Planning Commission. The brief of the 7 schemes is as under.

BABA SAHEB AMBEDKAR HASTSHILP VIKAS YOJANA. (AHVY)

This scheme aims at promoting Indian handicrafts by developing artisans' clusters into professionally managed and self-reliant community enterprises on the principles of effective member participation and mutual cooperation. The thrust of the scheme is on a prioritized need based integrated approach for sustainable handicrafts development through participation of craftsperson leading to their empowerment. The package of support under AHVY can be clubbed under the following components.

Social interventions

- Diagnostic survey and formulation of project plan
- Mobilization of artisans

Technological interventions

- Assistance for training the trainers
- Assistance for design and technological up gradation
- Financial assistance for development and supply/ dissemination of modern improved tools, equipments etc.,
- Documentation, preservation and revival of languishing crafts etc.

¹ Annual Report (2002-2003), Ministry of Textiles, Government of India.

<http://texmin.nic.in>

Marketing interventions

- Marketing events
- Marketing infrastructure
- Publicity
- Marketing Services

Welfare interventions & financial interventions

Development of workshed and provision of margin money.

Eligibility: -

Financial assistance under this scheme can be given to/ through the Reputed NGOs/ Cooperatives/ Apex cooperative societies/ Trusts/COHANDS/ EPCH/ CEPC/ MHSC/ IICT/ NCDPD/ NIFT/ NID/ University Deptt., DRDA/ NISSIET, EDIs, Central/ State Handloom and Handicrafts Development Corporations and other related Govt. Corporations/ agencies, Federation of NGOs/ SHGs Consortium etc. registered under proper statute, for sustainable development of identified craft clusters.

MARKETING SUPPORT & SERVICES

The main objective of this scheme is to create awareness of Indian handicrafts among the masses by organizing a number of marketing events in big and small cities, to provide financial assistance to State Handicrafts Corporations, Apex Cooperatives and prominent NGOs for opening new Emporia at suitable places to enable the craft persons to have permanent sales outlets for their products, to popularize and publicize handicrafts sector, to provide services in the form of entrepreneurship development programme etc.

ELIGIBILITY; GRANT-IN-AID

The financial assistance under the scheme shall be extended to the Central/State Handicrafts Corporations, COHANDS, Apex Societies, NGO's registered under Society Act, Trusts and such other organisation engaged in the development and promotion of handicrafts sector registered under any other statutory Acts. During 2001-2002, a sum of Rs. 412.55 lakh has been released under the scheme.

DESIGN & TECHNOLOGY UPGRADATION

Design & Technology up gradation scheme aims at upgradation of artisans' skills improvement and diversification of products,

The schemes comprises of five main components as under:

COMPONENTS SUB-COMPONENTS

Marketing Events:

- a) Holding of National Handicrafts Expos.
- b) Holding of Crafts Bazaars
- c) Holding of Exhibitions

Marketing Infrastructure:

- a) Setting up of Urban Haat/Crafts specific Haat/Local Haats.
- b) Opening of new emporia/ renovation/expansion of existing emporia.
- c) Setting up of Craft Development Centres.

Marketing Services:

- a) Holding of Marketing Workshops at National/State/Local Levels programme.
- b) Entrepreneurship Development.
- c) Publicity: Internal Publicity development of new design and prototypes. Supply of improved/modern equipments to the craft persons, revival of rare crafts to preserve the traditional heritage, preservation of traditional art & crafts of high aesthetic value. The scheme has been sub divided under six distinct components as under:

Components

Financial Assistance to institutions for design and technology development in handicrafts sector

Skill up gradation**a) Departmental activities**

- i) Regional Design & Technical Development Centres.
- ii) Activities of Regional Design & Technical Development Centres.
- iii) Departmental Training Centres in Carpet in J&K and Cane & Bamboo in the Country.

b) Grant-in-aid

- i) Assistance to Shilp Gurus (Heritage Masters)
- ii) Assistance for training under Guru Shishya Parampara
- iii) Assistance for training the trainers (A type of certificate or diploma course for trainers/master craftpersons who can work in close cooperation with clusters)

Financial assistance for development supply/ dissemination of modern improved tools, equipments, products and process technologies.

Assistance for design & technology upgradation

- i) Integrated Design & Technology Development Project
- ii) Design & Technology Development Workshop

Documentation, Preservation and Revival of old and rare and languishing crafts.
National Award for outstanding contribution in designs in handicrafts sector.

Eligibility

Financial assistance under the Design and Technology Upgradation Scheme is extended to the Central/State Handicrafts Corporation, Apex Cooperative Societies, NGOs registered under Societies Act, Trust, Handicrafts Societies, EPCH, CEPC, COHANDS, NCDPD, MHSC, IICT, Crafts Council of various States, NID, NIIFT, IIT and other reputed institute dealing in handicrafts, renowned designers, technologist, National Awardees, Master craft persons, experts having experience in handicrafts. During 2001-2002, a sum of Rs. 108.17 lakh has been incurred for undertaking various design development activities. During 2002-2003, an amount of Rs. 2600 lakh has been allocated including NER and Sikkim under these schemes. Total expenditure incurred upto December 2002 is Rs.1465 lakh.

EXPORT PROMOTION

The objective of the scheme is to promote export of handicrafts including hand knotted carpets and floor covering from India. Initiatives such as identification of handicrafts concentration area for development of exportable products, undertaking research and studies in order to identify markets abroad, taste and fashion, prevailing designs etc.,

participation in exhibitions etc. and addressing the issues emerging out of the liberalized and post WTO era would be undertaken under this scheme.

The details of components covered under the scheme are as under:

Product Development

- a) Workshop and Training Programme in Packaging in Export Procedures/ Management
 - b) Training of Artisans /Master crafts persons/Designers
 - c) Workshop/Seminar in India and Abroad
 - d) Selection of Designers, Artists for development of prototypes for exports and invitation to foreign Designers.
- Publicity and Marketing, Social and other welfare measures

Eligibility

The financial assistance under the scheme is extended to the central/state Handicrafts Corporations, Council of Handicrafts Development Corporation (Cohands), Apex Coop. Societies, NGOs registered under Society's Act, Trusts, and such other organisations engaged in the development and promotion of handicrafts sector registered under any other Statutory Acts, EPCH, CEPC, NCDPD, IICT, India Exposition Mart, Registered Handicrafts exporters, reputed designers/technologists approved by CEPC/EPCH/Office of the DC(H).

RESEARCH & DEVELOPMENT

The main objective of the scheme to have a regular system of feedback of economic, social, aesthetic and promotional aspects of various crafts and artisans in this sector and to address the issues arising out of WTO stipulation case.

Scope of the Scheme

Conduct surveys/Studies of specific crafts for which adequate information is not available. Research in the areas of problems relating to availability of raw material, technology, design, common facilities and so on. Living and working conditions of artisans in specific areas or crafts. Market evaluation studies of specific crafts for either domestic or overseas markets. Techno-economic feasibility studies and post evaluation of the various promotional projects or programmes undertaken in the handicrafts sector. Areas requiring special study for uplift of the weaker sections viz. Scheduled Castes and Scheduled Tribes. Financial assistance for preparation of legal, para legal, standards, audits and other documentation leading to labeling/ certification. Financial assistance to organizations for evolving, developing a mechanism for protecting crafts, design, heritage, historical knowledge base, research and implementation of the same enabling the sector/segment to face challenges for utilizing the opportunities of post WTO regime. Financial assistance for taking up problems/issues relating to brand building and promotion of Indian Handicrafts. Any other problems/issues of specific nature relating to handicrafts sector.

Eligibility:

Assistance under the scheme will be extendable to an organization registered under any of the statutory Acts (Companies Act 1956, Societies Registration Act 1860, Cooperative Act etc.) or registered with any bodies like DCSSI, Office of the Development Commissioner (Handicrafts), etc. or universities and recognized research institutions. Generally, such assistance would not be extendable to any particular individual unless he is an eminent scholar or a person associated with promotion of handicrafts for a long time.

TRAINING & EXTENSION

The main objective of this scheme is to enhance the capacity building of the artisans, NGO etc. and to meet the administrative expenditure closed departmental training centres under various crafts.

Component of the Scheme.**Departmental**

Incurring expenditure to cover establishment cost including Pay & Allowances of the staff of closed departmental training centres in various crafts.

Grant-in -aid

- a) Incurring expenditure for conducting field visits/study tours in India and abroad to give exposure to designers and master craftsperson working in handicrafts sector with a view to enable them to learn and adopt best practices prevailing for promotion and development of handicrafts sector in India.
- b) Financial Assistance for capacity building and to conduct awareness cum- training workshops/seminars for artisans, NGOs etc. in various spheres related to handicraft sector.

Eligible Organizations

The scheme shall be implemented departmentally as well as through reputed research institutions, registered organizations/public sector units, experts etc. specializing in concerned areas.

FINANCIAL ASSISTANCE TO STATE HANDICRAFTS DEVELOPMENT CORPORATIONS/STATE APEX SOCIETIES

The scheme envisages to help the State Handicrafts Corporations/Apex Cooperative Societies by providing them grants so that the corporations can utilize the money for any developmental, promotional and welfare activities of urgent nature concerning the craft persons of their State.

Component

To enable the Corporations/Apex Societies to increase their capital base in order to enable them to take programmes which will directly benefit the craftspersons.

State Handicrafts Development Corporations /Handicrafts Apex Cooperative Societies. During 2001-2002, a sum of Rs.240.00 lakhs has been incurred. During 2002-2003, an amount of Rs140.00 lakhs has been allocated.

Export of handicrafts including Hand knotted carpets were recorded at Rs.9205.63 crore during 2001-2002 showing a slight decrease of 0.80% in export compared to the corresponding period of 2000-2001. The export target for the year 2002-2003 has been fixed at Rs.10, 470.00 crore. Item-wise exports of Handicrafts since 1997-98 is given in table below:

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(Rs. in crores)

Handicrafts

The handicrafts sector has a special significance in the country's economy in terms of employment generation as well as earning of foreign exchange through exports. It is estimated that during the 9th Plan period, employment in the handicrafts sector increased from 52.92 lakh in 1997-98 to 58.41 lakh by the end of the Plan. The office of the Development Commissioner for Handicrafts has been implementing several

schemes for the development of this sector. The schemes aim at design and technical upgradation, export promotion, marketing support and services, research and development and training and extension.

An important initiative taken by the Government has been the launch of a new scheme: Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY) during the year 2001-02. This scheme aims at promoting Indian handicrafts by developing artisans' clusters into professionally managed and self-reliant community enterprises on the principles of effective member participation and mutual co-operation. The package of support under AHVY has social, technological, marketing, welfare and financial components. During 2001-02, 222 project proposals were sanctioned under the scheme involving an expenditure to the tune of Rs. 355.62 lakh. For the year 2002-03, the outlay for this scheme was Rs. 880 lakh.

Export earnings from handicrafts including hand-knotted carpets were to the tune of Rs. 5835 crore during the first year of the 9th Plan. It increased to Rs. 9205.63 crore during the terminal year of the Plan. The export target for the year 2002-03 was Rs. 10,470 crore. Exports to the extent of Rs. 7511.42 crore had been achieved by December 2002 itself.

Sericulture

India continues to be the second largest producer of silk in the world. It produces all the four varieties of silk, namely, mulberry, eri, tasar and muga. Sericulture is an important, labour-intensive and agro-based cottage industry providing gainful occupation to more than 5 million people. Silk production increased from 7600 metric tonnes (MT) in 1985 to 17347 MT in the year 2001-02, and the estimated production during 2002-03 is 18700 MT. Silk items being exported comprise natural silk yarn, fabrics, made-ups, ready-made garments, silk carpets and silk wastes. The earnings from exports of these items amounted to Rs. 2235.38 crore during 2001-02.

Woollen Textile Industry

The woollen industry in the country is comparatively small in size and widely dispersed. Most of the units are located in Punjab, Haryana and Rajasthan. Some of the larger units are located in Maharashtra, Punjab, Uttar Pradesh, Gujarat and West Bengal. There are 718 registered woollen units in the country. The number of persons employed in this industry is approximately 12 lakh.

The production of indigenous wool in the country is estimated to have risen from 47.91 million kg in 1999-2000 to 52.11 million kg in 2001-02. Since indigenous production of fine quality wool required by the organised mills and the decentralised hosiery sector is very limited, India depends largely on import, mainly from Australia. New Zealand wool, which is rich in lustre, is imported primarily for the carpet sector. The total imports of wool during 2000-01 and 2001-02 were to the tune of 53.75 million kg and 72.49 million kg respectively. (PIB Features)

INDIA'S HANDLOOM SECTOR¹

With a long tradition of excellence in its craftsmanship India's handloom textile sector occupies a place of eminence in preserving its heritage and culture. The level of artistry and intricacy achieved in the handloom fabrics is unparalleled and beyond the scope of modern machinery. It caters to the needs of a diverse cultural ethos ranging from exquisite fabrics, which take months to weave to popular items of mass production for daily use. Hand weaving is one of the richest and the most resilient media of ethnic expression.

The number of handloom weavers and others engaged in weaving and allied activities is 65.50 lakh. It is estimated that this sector provides livelihood to 124 lakh people. Despite the unrestricted scope and opportunities, the dispersed and unorganised nature of handloom industry has been facing constraints on its sustenance such as traditional production technique, low level of technology and skills; lack of modernisation, quality upgradation, and research and development; lack of adequate, even and timely supply of inputs; lack of product and design innovation; non-availability of adequate and timely credit facilities; lack of skill upgradation of weavers in designing, dyeing, printing and processing; and inadequate organisational, marketing and technical support.

To equip the handloom sector to cope with these constraints, the Government has been implementing several central sector and Centrally-sponsored schemes. On these schemes, the Central Government had spent Rs. 478 crore from Plan budget and Rs. 251 crore from non-Plan funds during the 9th Plan. An outlay of Rs. 625 crore has been fixed for the 10th Plan period.

Schemes

The Government launched an integrated and comprehensive Centrally-sponsored scheme called Deen Dayal Hatkargha Protsahan Yojana (DDHPY) to take care of a wide gamut of activities, such as, product development, infrastructure and institutional support, training of weavers, supply of equipment and marketing support both at micro and macro levels in a co-ordinated manner for an overall development of the sector and benefit to the handloom weavers. This scheme came into effect on April 1, 2000 for implementation. The total cost of the scheme is Rs. 690.60 crore. Out of this the States' share is Rs. 327.80 crore. The balance amount forms the Central outlay for this scheme. So far 20 States have implemented this scheme. An outlay of Rs. 310 crore has been provided for this scheme during the 10th Plan period.

A National Centre for Textile Design was set up in Delhi in January 2001 with a view to providing design, technical and market intelligence support to the textile sector in general and handlooms in particular. The Centre also organises exhibitions of exclusive handloom fabrics for the benefit of weavers and exporters. The Government has been spending nearly Rs. 75 lakh per annum on the activities of this Centre.

The pattern of assistance under the Workshed-cum-Housing Scheme was revised and during the last three years of the 9th Plan alone, sums amounting to Rs. 37.25

crore were released by the Central Government for the construction of 31,064 units of Worksheds/Worksheds-cum-Houses for handloom weavers.

The Government had already been implementing a scheme through the National Handloom Development Corporation (NHDC) for supplying yarn to weavers at prices at which it is available at mill gates. During the 9th Plan period supplies were stepped up from a quantity of 118.69 lakh kg in 1997-98 to 195.58 kg in 2001-02.

Keeping in view the problems faced by the weavers in some States on account of unsold, accumulated stocks with them, the Prime Minister, in his address to the nation on August 15, 2002, had announced a scheme with an outlay of Rs. 100 crore for the grant of a special rebate @ 10 per cent of the value of the stock sold, so as to enable the weavers or organisations to liquidate the stock by organising sales at discounted prices and to kick-start their production cycle.

The Prime Minister also announced another scheme with an outlay of Rs. 125 crore for imparting training to one lakh handloom weavers and artisans in technical, managerial and marketing skills to enable them to produce and market high value and diversified quality products in keeping with the current trends in domestic and international markets. He had also further announced the implementation of a Special Contributory Insurance Scheme for the weavers and artisans.

The impact of these schemes has been quite significant. The production of handloom fabrics increased from 6860 million sq. mtrs in 1997-98 to 7585 million sq. mtrs in 2001-02. Today, this sector contributes 19 per cent of the total cloth production and 15 per cent of the total export of fabrics from India. Over 125 countries are now buying handloom products from India. There is a growing awareness among the weavers about the technological improvements available for increasing production and productivity and reducing fatigue of the weavers. There is a growing realisation that the handloom sector should tune itself for continuous diversification and innovation reflecting the trends and fashions in home textiles and clothing as it is a growing and expanding market favoured by high end consumer segment. There is a visible effort to revive the traditional designs and introduce innovations to meet the emerging trends.

The Central Wool Development Board (CWDB) ¹

The Central Wool Development Board (CWDB), Jodhpur was constituted by the Government of India, Ministry of Textiles in 1987 to promote growth and development of wool and woollens through various activities like marketing intelligence, marketing of wool and woollens, price stabilization, standardization of wool and woollen products and quality control. The board started its functions since the year 1989 and was registered as a Society under the Societies Registration act of Rajasthan in 1996.

The Central Wool Development Board has been reconstituted under the chairmanship of the union Minister for Textiles on 26 June 2001 for a period of two years with a total membership of 29 including its chairman and member secretary. The activities of the Board are supported by grant-in-aid by the Ministry of Textiles, given through and regulated according to the Five Year Annual plans. For the Annual Plan 2001-02, a sum of Rs. 800 Lakhs was allocated to the board for its various schemes and programmes. The allocation includes UNDP's share of Rs. 300 Lakhs and Government of India's share of Rs. 73 Lakh under UNDP CCF-1 Angora Wool Development Project. The Ministry of Textile released Rs. 325 Lakh during the current year. The Board has utilized Rs. 200.02 Lakh till 31st December 2001 on the implementation of various schemes and projects of the Board.

The Board has been administering the following schemes for development of wool industry either with the help of the State Government Departments/Bodies or through non-governmental organizations:

a) Integrated Sheep & Wool Development Project

The Project has integrated approach to improve quality & increase production of wool and contained following components

- Health Coverage
- Breed improvement
- Product Development
- Marketing Assistant
- Training to the sheep breeders.

b) Integrated Angora Rabbit Development Project

- To follow integrated approach for development of Angora Rabbit Farming to increase production & productivity of Angora Wool.
- To provide basic facilities in terms of Rabbit management, shearing and marketing of wool.
- To provide basic training in Rabbit Farming so that educated unemployment

¹ <http://woolboardindia.com/html/schemes.htm>

youth can take up this profession and traditional farmers can supplement their income.

- To create opportunities for employment generation in rural areas.

The scheme components would include establishment of Angora Farming Units, Health care, Marketing assistance and Training for selected families. State Government Organisation engaged in Angora Rabbit development in the concerned state will implement the project. All beneficiaries of the project are to be encouraged to form one or more co-operative societies or are to be taken as member in existing co-operatives.

c) Machine Shearing-cum-Training Project

- To popularize it through demonstration and training.
- To train enough candidates to take it up as an economically viable activity.
- Employment generation among the rural youth from sheep breeders
- To shear sheep through machine to adopt modern techniques
- Avoid double cuts of staple.

Total 106 Shearing Machines have imported and 99 Machines have been distributed in following states:

d) Wool Scouring Plant

- To provide raw wool scouring facilities to wool growers, wool merchants and the industry.
- To improve quality of wool by removal of burrs and by scouring
- Value addition to fetch better prices for the wool produce

e) Wool Testing Centre

- Testing wool for fineness, length, yield, colour vegetable matters, moisture content etc.
- Diving (he grading to the wool.
- Collecting data of different types of wool.
- Keeping the marketing record in the computer.
- Testing of yam for count, twist and strength.
- Suggesting blend for carpet yam.
- Creating awareness of quality for wool and yam.

f) Industrial Service Centre

- To provide testing facility to industry.
- To create quality consciousness among the manufacturers.
- To suggest ways and means to improve quality and product range as per changing needs of the market.
- To provide designing and finishing facilities to the industry.

g) Weaving & Designing Training Centre, Kullu

- To train 45 weavers and dyers, annually, engaged in woollen handloom production activities in rural and hilly areas.

h) Market Intelligence Network

- To create Market intelligence Network in the country and build up reliable information system for furnishing information prevailing market rates & trends of wool & woollens. The Board has established 10 functionary centres in main mandies of the wool producing states of the country. These Centres are functioning at Bikaner, Beawar, Panipat, Lucknow, Jamnagar, Mehboobnagar, Hubli, Mirzapur, Shimla and Jammu.

(I) Woollen Expo

- Promote sales of woollen products
- Increase awareness in favor of woollen products
- Expose weavers/manufacturers to the new woollen markets.
- Launch new wool products/designs for trial and promotion.

j) Human Resources Development

- For undertaking training programme in the country as well as abroad in collaboration with other wool producing countries in the following areas.
 - a) Farm management
 - b) Sheep shearing
 - c) Testing and report writing
 - d) Wool marketing
 - e) Processing of wool & woollen products
 - f) Quality control/assurance

Woollen Expo: The Board has taken up the programme of the organising woollen expos to promote the sale of wool and woollen products and to provide better marketing facilities to weavers and spinners. During 2001-02, the Board has decided to organise two Woollen Expos at Ahmedabad and Jodhpur during the winter season with a financial provision of Rs. 19.00 lakh. The Board has incurred an expenditure of Rs. 12.83 Lakh up to 31 December 2001.

Promotional Activities: Since inception of the Central Wool development Board, it has been carrying out various important activities for promotion of wool and woollens in the country like organising seminars and workshops, conducting survey and studies, publication of quarterly news magazine WoolWays, Organising fairs, sales cum exhibitions. For this purpose, a provision of Rs. 4.00 lakhs has been kept during the current financial year. The Board has incurred an expenditure of Rs. 1.06 Lakh up to 31st December 2001.

Schemes Undertaken By NABARD¹

RURAL NON-FARM SECTOR (RNFS) RURAL ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (REDP) NATIONAL PROGRAMME FOR RURAL INDUSTRIALISATION (NPRI) DISTRICT RURAL INDUSTRIES PROJECT (DRIP)

RURAL NON-FARM SECTOR

Rural Non Farm Sector (RNFS) holds the key to faster economic development of the country. It has potential and promise for generating employment and *increased income in the rural areas*. Hence, NABARD has identified financing, development and promotion of RNFS as one of its thrust areas. NABARD has evolved several refinance and promotional schemes over the years and has been making constant efforts to liberalise, broad base and refine/ rationalise the schemes in response to the field level needs. The focus has been on greater credit flow and provision of linkages for small, cottage and village industries, handicrafts and other rural crafts in the decentralised sector in the rural areas.

NABARD refinance schemes for financing NFS activities

The refinance facilities available from NABARD can be broadly classified as under : Investment Credit and Production credit.

INVESTMENT CREDIT

NABARD provides refinance to eligible banks for a wide spectrum of manufacturing, processing and service sector activities under Rural Non-Farm Sector (Investment Credit). Refinance upto Rs.15 lakh is available under Automatic Refinance Facility (ARF) and beyond that under pre-sanction procedure. Refinance under Rural Housing Sector is available upto Rs. 5 lakh for construction of new houses and upto Rs. 1 lakh for repairs.

1. COMPOSITE LOAN SCHEME (CLS) - under ARF

Borrowers

Rural artisans, handicraftsmen, small entrepreneurs, groups of individuals, partnership firms, co-operative societies, NGOs, etc.

Project Components

The block and/ or working capital requirements of small/ micro enterprises.

Refinance ceiling

Maximum of Rs. 10 lakh per borrower.

Repayment period

3 to 10 years with suitable need based moratorium not exceeding 18 months.

¹ Downloaded from http://www.nabard.org/roles/promo_rural1.htm

Eligible activities

All manufacturing, processing, and approved service activities. The following activities covered earlier under separate schemes are now merged with the Composite Loan Scheme:

- financing mobile/ static sales carts and kiosks.
- *financing of storage godowns (larger units beyond CLS can be covered under ILS).*
- Traditional sector, viz., handlooms - modernisation and acquisition of looms, construction of work sheds, handicrafts, coir, sericulture, etc. and powerlooms upto CLS limit.

INTEGRATED LOAN SCHEME (ILS) - under ARF

Borrowers Individuals, artisans, groups of individuals, associations (formal and informal), proprietary/ partnership firms/ co-operative societies, registered institutions/ trusts, voluntary agencies, private and public limited companies, etc.

Project Components Block capital (e.g., cost of land to the extent of borrowers' down payment, workshed, plant and machinery, equipment and tools, computers, technology upgradation, project formulation and consultancy charges, preliminary and pre-operative expenses, etc.) and working capital for one operating cycle.

Refinance ceiling Maximum of Rs.15 lakh per borrower.

Repayment period 3 to 10 years with suitable need based moratorium not exceeding 18 months.

Eligible activities Manufacturing, processing and approved service activities in the cottage, village and tiny industry sector and modernisation/ renovation/ expansion/ diversification of existing units. The following activities covered earlier under separate schemes are now merged with the Integrated Loan Scheme :

- Financing mobile vans.
- Acquisition/ Modernisation of handlooms and Construction of worksheds.
- Modernisation/ renovation of powerlooms (MANTRA Scheme).
- JEAS Scheme for jute development.
- Setting up or renovation of marketing outlets.
- Support to mother units/ satellite units.
- Setting up of Common Service Centres.
- Opening/ renovation of handloom/ handicraft emporia.
- Acquisition of powerlooms (Individuals and Societies).
- Redeployment of NTC Workers - Acquisition of old powerlooms.
- Installation of coir/ defibering units.
- Setting up / renovation of showrooms / sales depots, emporia for coir.
- Sericulture.

Small Road and water Transport Operators SCHEME (SRwTO) - Under ARF

Borrowers Individuals, groups of individuals, including partnership/ proprietary firms and co-operative enterprises. The borrowers should be from the rural areas and should utilise the vehicle mainly for transportation of Rural Farm and Non-Farm Products and inputs and passengers to/ from marketing centres. The borrower or his employee should possess a valid driving licence and the vehicle should be duly registered with the Regional Transport Authority as public transport vehicle.

Project Components Besides cost of vehicles, the loan component may include cost of chassis, body building expenses, initial taxes, insurance, etc.

Refinance ceiling Maximum of Rs.15 lakh per borrower.

Repayment period 5 years with moratorium of 6 months.

Eligible vehicles Transport vehicles including Light Motor vehicles, Jeeps, Autorickshaws, Water transport units (boats, launches etc.), small refrigerated vans, bulk carriers for carrying edible oil/ petroleum, etc. Private vehicles, second hand vehicles and two wheelers are outside the purview of the scheme. Number of vehicles to be financed will be subject to RBI ceiling under priority sector lending.

Schemes under pre - sanction procedure g which at present is 10 vehicles.

(i) Term Loan to SSI units (through CBs & Scheduled PCBs)

Borrowers

Individuals, Proprietary / Partnership concerns, Private/ Public Limited Companies, Promotional/ Developmental Organisations, State Level Federations/ Corporations, Joint Sector Undertakings.

Purpose

Setting up of new units and modernisation/ renovation/ expansion/ diversification of existing units (other than agro-industries).

Eligible items for investment

- Land and Site Development (including cost of land upto margin money required to be brought in by the borrower).
- Construction of workshed (including civil structure, godowns for storage, market outlets and other essential amenities).
- Plant & Machinery. (including machinery/ equipment required for packaging and preservation)
- Equipment and tools.
- Delivery van.
- Project formulation and consultancy charges.
- Preliminary and pre-operative expenses.
- Margin for working capital.

Repayment period

3 to 10 years with moratorium of 12 months.

(ii) Term Loan to Industrial Co-operatives (through SCBs)

- It should have the required minimum training infrastructure to conduct the programme effectively.
- It should have good rapport with banks, local administration/ people and possess grass-root level linkage.
- It should be prepared to conduct REDPs in the approved manner so as to achieve good success rate.

RECENT INITIATIVES IN REDP

With a view to accelerate the process of REDP and to achieve the desired objective at a faster pace, NABARD had initiated the following steps;

Corporate Goal

NABARD has set a corporate goal of training atleast one lakh unemployed youth over a period of five years, ie. 1999-2000 to 2003-2004.

Institutionalisation of REDP

In order to have a focussed direction in the implementation of REDP, NABARD has decided to forge long term collaboration with 3 or 4 selected VAs / NGOs in each state.

Technical REDPs

With a view to ensure setting up of units as well as their successful management, it has been decided to encourage Technical / activity based REDP. Consequently, select ITIs have also been included as eligible institution for conducting REDPs.

Incentive based REDPs

To ensure continued follow-up/ monitoring and escort services to the trainees with a view that all the trainees end up in establishing their own units, an incentive scheme has been evolved whereby the REDP implementing agencies will be suitably rewarded with cash incentives based on the number of trainees setting up their own units, preferably with bank loan.

Participation fees

For ensuring total involvement/ commitment of the participants of REDP, the implementing agencies are permitted to charge a nominal fee from the trainees in addition to the grants given by NABARD.

FINANCIAL ASSISTANCE - COMPONENTS

NABARD provides promotional assistance to select agencies to meet the recurring expenditure in conducting REDPs. Under institutionalisation of REDP, the select institutions are provided with need-based capacity building support and long-term assurance by way of continued financial assistance, for conducting REDPs.

PROGRESS AND IMPACT

- Extended grant assistance to over 300 local NGOs to conduct REDPs.
- Identified 38 VAs / NGOs under Institutionalisation of REDP
- A total of 4249 REDPs were assisted till 31 March 2003, enabling about 120234 rural youth to be trained satisfactory success rate.
- The average success rate of the programme is estimated to be around 50%.
- Supported capacity building of partner agencies,

- Sponsored number of Trainers' Training Programmes, NGO-Bankers' Interface Workshops.

NATIONAL PROGRAMME FOR RURAL INDUSTRIALISATION (NPRI)

NPRI for development of Clusters

The National Programme for Rural Industrialisation (NPRI) was proposed by the Union Finance Minister in his budget speech for the financial year 1999-2000, with a mission to set up 100 rural clusters every year for the next five years to give a boost to rural industrialisation. As a part of its commitment to NPRI programme, NABARD has decided to take up the development of about 50 rural clusters during a period of 5 years from 1999-2000 to 2003-04.

What is a Cluster?

A cluster is generally defined as a geographically bounded concentration of similar, related or complementary businesses with shared infrastructure, markets and services and faced with common opportunities and threats.

Importance of Clusters

Micro enterprises in rural areas face competition from each other as well as from the organised sector. Development of clusters helps in deriving benefits of economies of scale in procurement of raw materials, production and post-production operations.

'Cluster Development Approach' enables the small scale enterprises to withstand the challenges thrown up by competition and globalisation. It is estimated that there are around 350 modern Small and Medium Enterprises (SME) clusters and about 2000 artisan based rural clusters in India. NABARD has been advocating cluster approach to lending since long and its various programmes/ schemes like Area Programme for Rural Industrialisation (APRI), District Rural Industries Project (DRIP), Mother Units, Common Service Centres, Artisan Guilds, etc., involve development of clusters.

Cluster Philosophy

- Focussed assistance.
- Demand based assistance.
- Flexible instruments of assistance to meet specific needs of cluster.
- Close monitoring to spur continuous development and innovation.

Constraints in rural cluster development

- Lack of education, awareness, organisation, marketing skills among rural entrepreneurs.
- Lack of infrastructure facilities such as electricity, roads and limited development assistance and dependency on Government.

Objective

Strengthening of existing clusters and development of new clusters in exceptional cases towards sustainable competitive advantage through technology upgradation/ transfer, raw material access, skill development, managerial inputs and credit support, market support.

Cluster Development - Strategy

- Identification of clusters.
- Diagnostic study and preparation of cluster status and action plan.

- Identification of solutions to problems/ issues.
- Selection of NGOs/ VAs/ Developmental Agencies.
- Constitution of Cluster Development Committee
- Assignment of clear roles to various partner agencies
- Approval of Action Plan
- Launching of the Programme
- Sensitisation for the partners of the programme, Group mobilisation/ motivation.
- Awareness/ Skill development of artisans.
- Increasing product range and improving quality and productivity.
- Supporting technology upgradation/ transfer.
- Implementation of credit linked promotional programmes through NGOs/ VAs/ Developmental Agencies.
- Monitoring the progress closely through the Cluster Development Committee at regular intervals.
- Development of Management Information System.

Preparation of Cluster Status

Number of people/ families employed, nature of activity, age of the cluster, source of raw material, skill levels, marketing strategy, credit linkages and other details of the activity/ product line constitute Cluster status.

Action Plan

Cluster development Action Plan broadly covers expected credit/ refinance requirement; year-wise for three years and promotional intervention suggested during each year.

Cluster Development Committee

The suggested composition of the Cluster Development Committee is the District Collector or Head of the DRDA as Chairman and AGM(DD), NABARD as Member Secretary and the following persons as Members.

- Lead Bank Officer
- General Manager, District Industries Centre.
- NGO/ VA/ Developmental Agency.
- Artisan/ Entrepreneur representative from the Cluster.
- Representatives of Local Banks, other local Govt. agencies such as KVIC/ KVIB/ SISI and any other suitable local Resource Person.
- Representative of SIDBI, if available.

The Committee will have to review the cluster status and action plan suggesting stage-wise action for a period of 3 years so that total strategy for skill development, resource mobilisation, raw material supply, marketing strategy, organisation and management, etc., could be covered. The Committee may meet atleast once in a quarter to monitor the progress.

Role of different partners

NABARD

AGM (DD) will oversee the implementation of the programme in the identified cluster. Besides providing refinance support to the eligible units under various

refinance schemes of NABARD, need based promotional support may also be considered.

VAs/ NGOs The identified NGO will act as the nodal agency for implementing the project. Its close rapport with them is very important particularly in identification, planning, monitoring and assessing the development of clusters from the artisans' point of view.

Govt. Departments/ Promotional/ Developmental Agencies

The involvement of these agencies is to be ensured right from the beginning and efforts may also be made for deriving support from higher level officers.

Banks

- Integrating Cluster Action Plan into Service Area Plans.
- Identifying potential entrepreneurs/ enterprises.
- Ensuring focussed attention to meet the credit needs of the entrepreneurs.
- Ensuring qualitative lending with close supervision and support services.
- Sponsoring potential entrepreneurs to participate in the Rural Entrepreneurship Development Programmes (REDPs).
- Deputing field level functionaries to various training programmes, meets, workshops.
- Associating with Cluster Development Committee, monitoring the progress of Cluster Action Plan and maintaining proper data base.

**National Programme on Rural Industrialisation (NPRI) -
DISTRICT RURAL INDUSTRIES PROJECT (DRIP)**

NABARD as an Apex Developmental Financial Institution in the country, committed to rural development, has identified Rural Non-Farm Sector (RNFS) as a thrust area and evolved a number of refinance schemes for financing the manufacturing, processing and service sector activities including infrastructure. As a useful adjunct to its core financing function, NABARD has also introduced several credit-linked experimental promotional programmes/concepts for developing rural enterprises and entrepreneurship in a cost-effective, demonstrative and sustainable manner. NABARD on a pilot basis had launched an integrated area-based credit intensification programme in collaboration with Government, Banks and other development agencies with district as a focus known as District Rural Industries Project (DRIP) during 1993-94 in 5 districts with a view to evolving a role model for rural industrialisation.

Creation of significant number of sustainable employment opportunities in rural areas through enhanced credit flow to RNFS with complementary financial and non-financial promotional support.

On a pilot basis the project was launched in 5 select districts in the country viz. Ganjam (Orissa), Gwalior (Madhya Pradesh), Kurnool (Andhra Pradesh), Sabarkantha (Gujarat) and Sawai Madhopur (Rajasthan). Encouraged by the success achieved in the pilot districts and keeping in view the overwhelming support received from all the Project Partners in development of RNFS in the DRIP districts, NABARD has extended the project to 17 more districts, during 1999-2000 and 2000-2001 in Phase II & III.

At this juncture, the project has assumed greater importance in the context of replication possibilities at the national level. Hence, NABARD has decided to expand DRIP to 100 more districts over a period of 5 years. Consequently, the project has already been extended to 20 districts during 2001-02 under Phase-IV and had decided to launch the project in 20 more districts during 2002-03 under Phase V, of which the project has been launched in 18 districts as on 31 March 2003. Thus, the project is now under implementation in 61 districts.

DRIP PHILOSOPHY

- Focused Attention
- Systematic Planning
- Participatory Process
- Coordinated efforts
- Credit plus Approach

DRIP - MAIN FEATURES

- A participatory programme of State Govt., Banks, NGOs and Developmental agencies for credit intensification towards development of RNFS.
- Facilitates convergence of the experience, energy and resources of all project partners to harness the potential for rural development.
- Realistic assessment of potential for growth of RNFS and gearing up the entire district machinery committed to rural development.
- Facilitates adequate, timely, qualitative and need- based credit support through banking channel for setting up of new units as well as for expansion/ modernisation of existing units.
- Envisages promotional, infrastructural and linkage support from various project partners.
- DRIP is not a target-oriented programme. Does not envisage provision of any new subsidies other than the normal facilities (including existing subsidies) available for setting up of RNFS units in the district.
- A flexible programme open to adoption of new ideas and innovations.

IMPORTANT COMPONENTS/ STRATEGIES

- Conduct of Detailed Potential Survey of the District.
- Strategy meets at District & State level.
- Sensitisation of the Functionaries of Project Partners - Govt./ Banks/ NGOs/ VAs/ DAs.
- Goal Oriented Project Planning (GOPP) Workshop at the District Level.
- Training of the officials of Primary Lending Institutions (PLIs).
- Preparation of DRIP Action Plan.
- Dovetailing of DRIP Action Plan with Service Area Plans (SAPs) of banks.
- Adoption of Cluster Approach.
- Awareness creation/ skill upgradation amongst Entrepreneurs.
- Technology Upgradation/ Transfer.
- Focus on implementation of Credit-linked Promotional Programmes through NGOs/VAs/ DAs.
- Encouraging Credit Delivery Innovations.

- Monitoring the progress closely through Project Coordination & Guidance Committees (PCGCs) at the district and state level.

NEW INITIATIVES

RURAL HAAT SCHEME

Realising the fact that marketing has a crucial role in development of rural non-farm sector and rural haats being an integral part of a rural market system, it is felt that the strengthening of these haats will have a positive impact on marketing of rural non-farm products. NABARD has, therefore, decided to support two Gram Panchayats (GP) in each DRIP district for development of infrastructural facilities in the existing/ new haats by providing grant assistance to GP @ 80% of the total project cost or a maximum ceiling of Rs.2 lakh per haat whichever is less.

NABARD has enhanced the maximum ceiling of grant-assistance for rural haat to Rs. 3.00 lakh from the existing limit of Rs. 2.00 lakh for providing minimum infrastructural facilities and financial support beyond Rs. 3.00 lakh will be extended by way of soft loan through Panchayati Raj Institutions (PRIs)/ Primary Cooperative Societies (PACS) for providing some additional facilities in terms of 10-15 permanent shops with shutters for bringing in other essential services.

Soft loan extended to Gram Panchayat/ PACS shall be repaid to NABARD in 5 to 7 years including an initial moratorium period of one year on half yearly basis. The rate of interest on the soft loan will be such as may be determined by NABARD from time to time. At present the soft loan will carry interest @ 9% per annum payable at half yearly rest on 30 September and 31 March every year on the principal loan outstanding.

Salient features of the scheme

- Project Holder – Gram Panchayat (GP)
- Project Components – Sufficient land owned by GP, Compound wall with barbed wire fencing, raised platforms covered with semi-permanent roofing, drinking water, sanitary arrangements, cycle stand, notice board.
- NABARD's Assistance – 80% of project cost or maximum ceiling of Rs.2 lakh whichever is less.
- GP/ Zilla Panchayat Share – At least 20% of project cost.

Conclusion

DRIP has amply demonstrated that with clearly defined objectives, identified potentials, coordinated operational strategy, orientation/ sensitisation/ training, participatory approach and close monitoring, intensification of credit for setting up of NFS units and employment generation are feasible even without subsidy. Demand-led production could be accelerated within proper entrepreneurial environment, institutional linkage and synergic efforts. Many of DRIP tools/ strategies/ experiments have potential for successful replication.

Section II



This section deals with analyzing the issues affecting marketing of rural products and strategies to overcome the same.

THREATS AND STRATEGIES IN RURAL MARKETING¹

Marketing is an essential postulate of production. In rural industries, where the production is, by and large, demand-based, the marketing factor possesses considerable importance. The market for the rural industrial products is unorganised and dominated by the middlemen to a large extent. The tiny sector, consisting of village and cottage industries, has to face a variety of problems; of which, the acute problem of marketing is products at better remunerative prices. The rural industries can be broadly classified into three categories, viz., resource-based, demand-based and skill-based. They significant employment and production potential as well as the demand for export. They can take any form to withstand the market competition and to enlarge frontiers. However, the problems confirming the unorganised segments of market, exploited through the organised sector since long, need to be exploited. The present discussion attempts to focus the existing market network of the rural industries and its economic viability from the entrepreneur's point of view. The marketing of rural industrial products, such as slate and tiles, pottery, footwear, woolen articles, handicrafts and agro-based industries are analysed to explore the organisational structure of the marketing. The problem areas in the marketing of rural industries products are also identified.

The broad perspectives of the marketing network of rural industries can be seen in two dominant sectors, namely, private sector and cooperatives. The private sector comprises trader, commission agent, master craftsman, exporter, retail dealer and forwarding agent. Besides cooperatives, there are government corporations and development agencies which promote the marketing activities. The pressure of marketing is created often by the private sector on the rural artisans exploiting their economic conditions, such as debt trap, low income and dependency on the external outlets for the turnover of their products.

Rural entrepreneur may be identified in many dimensions, viz., social, cultural, economical, and to some extent anthropological too. Though an important change agent in every society, he is one of the most enigmatic character in rural economic development. It is his dynamism that paves the gap between the conspicuous demand of urban people and the real life in villages, but precisely his role is often unclear. The rural entrepreneur or rural artisans may be either an individual or a group, both are equally significant in less developed countries. A rural artisan belongs to a family, a religious sect, a political party, kinship, a caste and so on. These are value determinants and constraints, fashioned by his own way.

The rural artisans are economically backward, because of uncertain market and lack of adequate income from value added price. The loss minimisation, therefore, becomes the dominant concern for the rural artisans rather than profit maximisation. By and large, neither buyer nor seller has developed notions of fair

¹ Information compiled by NIRD, Hyderabad

and good price as both operate under hopes of optimum realisation of profit in buying or selling. In rural areas, to some extent, 'barter' is common. However, the pattern of exchange of goods is often established by long-standing custom, inter-class, inter-factor dependences or beliefs. The community of rural artisans has a strong dependence on the elite group, may it be rural or urban and so it exercises the 'pricelevy' on the artisans. Most of the traders belong to such elite groups. In two of these groups, it is observed that there is a talent device to dominate economically or to take aggressions out on others. As such, in the process, the artisans group tilts towards the authoritarianism of the traders and suffers from exploitation.

The fundamental question now arises is that given this trade pattern, what is the potential for income generation through marketing for entrepreneurs in rural areas. To begin with the answer, firstly, an unorganised market in the rural industries products is the major problem. Secondly, lack of remunerative prices which causes the economic discouragement to the artisans in product marketing. Finally, the risk factor involved in the rural industries product marketing is more as compared to the organised sector, due to unawareness of shifts in demand for products from the elite group, who forms the core of potential buyers.

Sociological Barriers

In the Indian context, the village has been defined in many ways. It is defined for the purpose of the census which may not be the same as village recognised by the revenue authorities. Sociologically, a village can be determined as a cluster of homesteads in close proximity to each other and usually separated from each other by open spaces. The village can be termed economically as a unit of production of various foodgrain and non-foodgrain products managed by various occupational groups. In real world, however, there are exceptions. In some parts of India, one cannot distinguish clusters of homesteads: they are found to be scattered over the countryside in a continuous stretch. In other areas, a village may consist exclusively of upper class and adjacent settlements of labourers, poor peasants etc. By and large, village means more than its synonym of which the political shape of the country stands on its definition side and the economic development of the country on its interpretation side.

The rural areas in Indian show much higher variety in their pattern of distribution and internal structure. There are four types of rural settlements found in the country. These are: (i) nucleated villages; (ii) linear villages; (iii) irregularly clustered villages; and (iv) scattered homesteads. The most common types of the village settlement are of nucleated and clustered ones. The linear type villages are usually arranged on both sides of the street and are common in south India. Scattered homesteads are found in Kerala and some parts of Assam and West Bengal.

In the villages, there is commonly class stratification, which governs the rural economy at the grass roots. The village society is composed of two parts of which the people who possess marginal or no means of production and who live by exchanging their labour power against money or live in the capacity of agricultural labourers comprise the first part. Generally speaking, these people are agricultural and non-agricultural labourers who constitute the majority among the villagers. The second part of the social structure consists of a minority of property owners who derive income by appropriating a surplus out of the use values produced by the first group of people. The big landowners and moneylenders who occupy a pocket of the village form the latter part of the society. The property owned group is termed as upper class and the group of agricultural labourers, marginal, small and medium farmers has been termed as suppressed class.

In the given rural social structure, the upper class bargains over the suppressed class to optimise their profit, it is discussed in the following text as to how the marketing pattern is controlled by the upper class. This class consists of capitalists, moneylenders, rural political elite, and rich farmers. This group provides the backward linkages viz., credit in terms of cash and kind, employment, and to some extent, technical and extension assistance to the producers. In case of household industries, the types of backward linkages are different from the agricultural sector. The former group provides artisans the credit, raw material and market for their products as backward linkages. But the conflict starts for better price when the surplus of farm products is brought into the market for sales. This is also the case with the products of the rural industries. The producers find themselves unable to strike trade agreement with alternative channels other than the upper class group in the village because of indebtedness and the social power of the capitalist group. The farmers and artisans, therefore, sell their produce under economic compulsion. This leads to the consequence of distress sales on their income savings and investment. The capitalist group also provides credit to traders who in turn sell the products processed from village markets to the capitalist group for forward trading. The traders, by and large, act as commission agents and purchase the products from producers in periodic markets locally known as shandi or haat. These conditions form the cycle of social power configuration which reflects on marketing in rural areas to the cycle of social power configuration which reflects on marketing in rural areas to a large extent.

Infrastructure

Efficient and improved marketing system is one of the important factors in the development agriculture in any region. Abbott has discussed that agricultural production is generally confined to the primary markets due to inadequate transport facilities. However market for other products may have access to other channels. This may perhaps be possible by developing low cost transport facilities. This would help in economizing the marketing cost per unit at micro-level. Liang argues in a manner, to produce more income to the farmers, he states that higher farmstead

prices which accompany improved transport and marketing facilities encourage specialization in cultivation of cash crops. The weakness or strength of marketing depends on the level of transport efficiency. Thus, Kulkarni considers transportation and marketing as the integral part of the trade economy. Lotuth adds that higher developed transportation system eliminates the need to produce processed food products very near to the settlement location; however, such circumstances, in turn may evolve high degree of regional specialisation in agriculture.

Infrastructure is an important factor in measuring the economic worthiness of a region. It may be described as "Social overhead capital to distinguish from the direct productive capital. "Sundaram states that the infrastructure, therefore, belongs to the category of public goods. In practice, infrastructure refers to such services like transportation and communication storage and physical amenities. Many studies have highlighted that the infrastructure in the developing countries has been neglected in the national planning and only production aspects have been given care which ultimately lead many bottlenecks, such as marketing , technological adoption etc.

Roads are one of the important issues to be discussed in context of infrastructure. A study conducted by Rajagopal reveals that the length of roads in India, with reference to the net sown area and geographical area to cater the hinterland, is feeble which accounts 1.296 km and 2.326 km per thousand hectares of above categorized areas respectively. Though special emphasis was laid during the five-year plans and the outlay for the construction of roads was increased in subsequent plan years, the construction schedule was often far slow and piled up the overhead costs. Further enhancing the need of the rural roads, the Working Group on Rural Roads cites that the rural roads must be competent to form efficient transport system required for the movement of agricultural supply in the countryside.

The discussions in the Indian society of agricultural Economics pinpointed the emerging constraints in marketing infrastructure against the backdrop of increasing marketable surpluses, particularly with regard to transportation, storage and processing.

Thus, the need for developing infrastructure for effective market economy is evident. It is observed that in most of the backward regions, the infrastructure facilities, particularly roads and communication, have yet to make headway. The transportation of agricultural produce is obstructed during early post-harvest period due to lack of proper rural roads and bridges, linking to the regulated markets. Apart from roads, the amenities, which have to be provided at the market place, are elevated platform for display of commodities for sales, shed, cattle trough, drinking water, etc. It was observed in a study conducted in Chhattisgarh, Madhya Pradesh that over 80 per cent of periodic markets in villages are organised in an

open space without shade for buyers and sellers. Further, the factors of time, distance, and infrastructure are highly correlated. It results into an unprofitable stroll to marketplace for buyers and sellers if any of these factors are de-linked.

Periodic Markets: Major Issues

The periodic markets may be explained as the agglomeration of buyers and sellers in villages, semi-urban and some parts of urban areas for marketing of the produce grown in the hinterland at a given place, time and day. The periodic markets are held weekly, biweekly and fortnightly according to local traditions. Weekly market is the main channel of distribution of local products and goods brought from outside the area. The weekly markets serve the villages falling in the radius of 16 kilometers on an average. In the weekly markets, the farm, non-farm and manufactured goods brought from their areas of its hinterland and urban areas are sold and purchased. The transactions in the markets are predominantly in cash, though barter system also exists in case of sale and purchase of local products like pottery, ironware, forest products, etc. The main unifying features of the periodic markets are that these are attended by a common group of professional traders, mainly coming from urban places. Every weekly market exhibits almost common agricultural products other commodities of rural industrial sector and goods brought from urban areas. The quantity of foodgrains, manufactured goods, provision etc., is demand-oriented. To analyse the nature of demand, the analytical aspects may be taken separately. However, for the purpose of simplification, the commodity specific shops are grouped into main categories as below: 1. Food grains, 2. Cloths, 3. Ornaments 4. Vessels, 5. Provision 6. Vegetable and fruits, 7. Sweetmeat, fried rice, grain etc., 8. Hotel 9. Cosmetics, and 10. Earthenware.

The periodicity of the weekly markets is a function of various modes of transportation available to the traders and visitors. The movement of the itinerant traders to the weekly markets is in hexagonal direction which covers the minimum distance between the two points and forms a network of weekly markets.

In the weekly market, a farmer or an artisan is really a buyer, not a seller. His main aim is to procure certain necessities, which he cannot produce, such as salt, kerosene, clothes and the like. For buying these commodities, he has to part with certain portion of his produce which is homegrown, manufactured by skill, or collected from forest. The rural sellers have no choice in the product market with regard to trade channel for many reasons as discussed earlier. In early post harvest period, the traders to make higher profit, unless government regularizes procurement in an effective way pay the producers. Similar conclusions have been drawn in other studies, which also paid attention towards the prevailing inefficiency of the market system dominated by traders and also towards the ineffective market regulation.

The problems faced by the rural sellers in farm and non-farm sectors are exhibited in table 5.1, which explores weakness and inefficiency of the marketing with reference to various aspects. The traders indulge in exploitation through various underhand dealings resulting into huge marketing costs and low prices to the producers.

Table 5.1

Major Marketing Problems faced by Rural Sellers

Farmers	Entrepreneurs
1. Low price	1. Low price due to lack of value added.
2. Non-availability of storage facilities at the time follow prices in open market.	2. Frequent changes in demand and product specification
3. Lack of competition and alternative channels for procurement.	3. Lack of alternative marketing channels.
4. Distress sales due to indebtedness and social obligation.	4. Sales at low prices because of work contract on advanced payment and sales agreement to particular trader.
5. Problems of transportation and communication.	5. Problem of selling in potential markets due to distance communication and transportation problems.
6. High marketing costs.	6. High marketing costs.
7. High rate of commission agents.	7. High rate of commission to intermediate traders.
8. Lack of cooperatives and regulated markets.	8. Lack of government agencies emporia and cooperatives.
9. Delayed payments.	9. Partial payment with long intervals.

All these problems show the weaknesses and inefficiencies of the marketing pattern, which also bars to adopt the modern marketing methods of improving the quality of the products and sales realization.

Future Threats

Conceptually, marketing is a function of demand and supply for the products produced in a given space and time. It has different area specific, product-specific, and socio-cultural characteristics, which determine the product's standing in the market. These factors, by and large, govern the trade practice in the markets held in a particular region. However, this may change with time and according to the buyer's and seller's perception towards the marketing efficiency. The rural entrepreneurs, who are the basic suppliers of raw materials to the firm and non-firm industries, largely transact in rural markets with small quantities of marketable surplus. They could earn small margin of profit, which covers their subsistence needs. Such economic conditions limit the extent of capital investment; though it may be potentially profitable to invest more. However at the same time, the business ventures are more risky. This is one of the consequences of the area-specific characteristic of the market. Likewise, product-specific market conditions reflect highly favorable opportunities for maximum sales realisation when the buyers are elite and the sellers have more prolific ways of communicating the product. Besides, the branding and packing of the product is also important in marketing and this can be popularized through communication approaches. In modern marketing system, the approachability constitutes the core strategy for product marketing.

The three A's determine efficiency of product marketing, irrespective of area specification, rural or urban. The urban markets, largely in private and corporate sectors, have been fast developing ever since the marketing communication devices emerged in the trade-world. Apart from strong communication approaches, the product markets are capital-oriented and can withstand short-run and casual market risks.

The use of selling method by price mechanism has been another important aspect of penetrating the products into the competitive markets. The urban markets, with such manifold characteristics, impose social and economic threats to the rural unorganized markets. Of these, the major threat is of the product salability in urban market environment. The threats to the rural product market are also on their viability and sustainability.

Table 5.2 exhibits the broad areas of threats to rural markets and concerned issues that effect thereby.

The rural markets which are conventional and in developing condition, and concentrate around marketing and product movement, face many threats. In fact, a rural market is an assortment of different variables within the subsistence economic system from the point of view of grower-seller. They are not capital-oriented and unable to shift their product designs at par with the urban markets.

In fact the fashion advertisements (FAds) have the dominant role in stimulating buyers' perceptions and selling their brand in competitive markets. Such stimuli are short span and create a lot of demand shifts in the product market. The rural markets, thus, may have a greater threat of Fads in selling their products even in their hinterland. It is an effective instrument in creating consumer awareness.

Table 5.2
Broad Areas of Market Threats with Reference to Rural Products.

Inclination towards Popular brands	Non-conventional	Dumping effect	Low profit
Three A's Consideration	Mechanical financing of Products	Branding and Packaging	Sustainability
Higher consumer Awareness	New design and Durability	Pricing techniques	Unprotected market
Impact of advertisements	Limited Resources	Systematic product and Distributing	
	Lack of Skills and Enterprenuership	Well Knitted operation Strategy	

Impact of FAds

In management terms, the fashion advertisements are called FAds. Advertisement is an effective tool of communication, particularly in rendering the market awareness. Advertising a product helps to mobilise the information on its utility and adaptability among the consumers. The impression on buyer's perception for the advertised product is deep rooted and attempts inclination towards the same. However, the intensity of the buyer's inclination depends upon the frequency of communication and the type of media. It is observed that the impression on product buying lasts long if the communications are brought out in periodic intervals. The impact of short-run advertisement may be seen, provided the communication is withdrawn in short time with-high frequency. Thus, for an effective and long run business plan, the advertisement of products should be representative and periodical. The short-run impacts are noticed in the situation of changing fashion or buyers' perceptions towards a product.

There are some products, particularly conspicuous ones, which attract products' sales realisation will be more for a short while and recede quickly. However, there

are other products, which need periodical announcement to withstand the market competition and keep intact the consumer's taste. The products of regular use like washing powders, soaps, food products etc., for which there is a neck-to-neck competition, an effective and frequent communication network is required. By and large, such characteristics are noticed among the products of private sector. In rural areas, the product communication system is weak due to many reasons. Firstly, the communication skill and approach is lagging among rural products and sellers. Secondly, there are financial constraints for issuing frequent advertisements in the market. Finally, the products produced in rural areas are of traditional nature and need perceptual changes among buyers, which is difficult task. It needs storming communication system, as the rural industries are much unaware of such measures.

The FAdS coming from private and corporate sectors have considerable influencing background. To assist in reviewing this background and pricing the product in markets there are two acronyms-PEST and SWOT. The initial letters for PEST represent four areas with direct implication on product, area and clientele. They are political, economical, sociological, and technological background. The political decisions have immediate business implications. The economical and sociological aspects, of course, overlap with the political decisions. However, the FAdS backed with technological merits of the product have larger-acceptability among consumer as compared to the other backgrounds.

SWOT is another well-known marketing analysis, which has equal-application on advertisement and its impact on the clientele. The analysis is made bearing in mind many factors with reference to PEST and likely future trends. The FAdS present strength of their product, weaknesses of the competing products, opportunities for product advancement, and threats facing in absence of their proposed products. Thus, the SWOT analysis in FAdS stands for strength, weakness, opportunity, and Threats. The FAdS extensively and intensively use these two backgrounds for making the marketing communication more effective and acceptable. The rural entrepreneurs to sell their product do not adopt such methods. It is one of the reasons that they are facing the market threat prone, the private and corporate sectors.

Market planning

Marketing in rural areas is a complex phenomenon. It has a greater bias towards the social and behavioural aspects rather than business economics. The various factors affecting the dimension of rural marketing have been discussed in the pretext. An effective marketing system is one of the major determinants for generating better income levels in rural areas. Since most of the entrepreneurs are also sellers of their products in rural market, an improved market condition will have a direct bearing on their income level and so also on the socioeconomic condition.

The product-market planning needs to be done in a phased manner. Initially, an extensive survey of the following is required:

- available infrastructure,
- commodities produced,
- consumer behaviour towards the existing products,
- technology, resource
- distribution pattern

This would be helpful to device an appropriate marketing system.

The basic considerations in evolving a marketing system are detailed in Diagram 5.1 on the next page.

In improving the marketing conditions of rural entrepreneurs of small entrepreneurial firms (SEFs), the state had to play an important role till the SEFs overcome the organisational and financial conflicts of embryonic stage. However, in this process, it is expected that the role of state should be sympathetic towards the Entrepreneurs marketing economy but need not make it dependent on state.

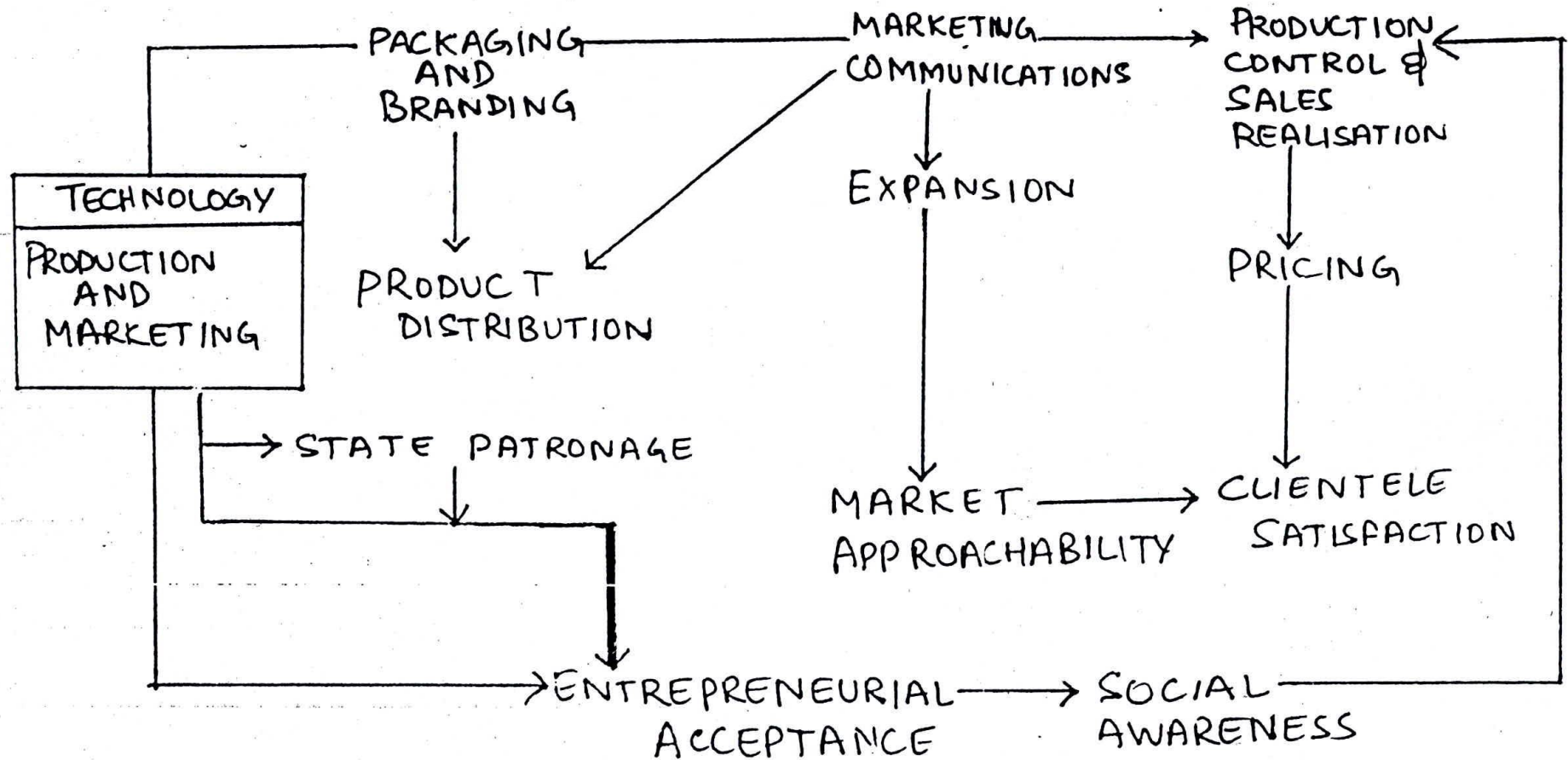
This may lead to many behavioural changes and attitudinal problems in the long run from the entrepreneur's point of view. The first and foremost requirement in planning product-marketing system in rural areas is to develop a non-conventional technology for product marketing.

This may be developed in the areas of product packaging, branding, market communication through FAdS, and distribution planning. The state patronage is necessary for the breakthrough of such technology in rural areas.

However, the most important aspects that have to be kept in view are the accessibility, approachability and adaptability of the technology in rural entrepreneurial conditions. In this regards, there is need for generating extensive social awareness and attitude towards development in a competitive economy.

Diagram 5.1

Major Considerations for Market Planning



Physical Factors

There regional geographic perspectives and spatial location with reference to production and marketing prospects have an important bearing on establishing the production inputs and product market centres. Some of the pre-condition in establishing the production – cum marketing centres are the availability of raw materials, population characteristics, e.g., tribal, rural, semi-urban, urban etc., and the forward trade centers in the periphery of the site location. The forward trade centers may be defined as growth centers.

Table 5.3
Management of Infrastructural Factors

Development Stage	Information Analysis
Location Decision	Availability of raw material, roads, transportation and communication, range or anticipated influence sphere of the market.
Physiography and Seasonality	Topography of the area, climate, marketing seasons of different commodities, urban influence.
Plant and Machinery	Energy component, availability of skilled workers, responsibility.
Extension and Communication	Industrial extension services and communication, prospects of advertisement, choice of mass media
General Amenities	Basic needs, institutional network, other physical amenities.

Table 5.3 above exhibits the required analysis of the information at different levels of firm's growth. The table is self-explanatory and may provide the cause and effect relationship. It is evident that the level of infrastructural network also expands at the respective higher development stages of the set-up of a unit. The location decision is an important issue. Which, in fact, governs the other requirements in the following development stages of the unit. Like medium and large industries, an appropriate planning for cottage industry is essential-for making it both economically viable and technologically feasible. To equip the artisans with the modern technology, the infrastructure for market extension and product communication is a basic need. Therefore, it is always advocated that the artisan complexes in potential location

could be developed with well-knitted infrastructure. Establishment of increasing number of units, without proper management approach, may lead to serious cost push explosion at the regional and national level, as most of units would become sick due to supply and demand constraints.

Institutional Factors

Institutionalizing the credit has an effective impact in promoting the cottage and village industries. The financial assistance and grant provided by the Khadi & Village Industries Commission has proved its worthiness in generating enough working capital support to the rural artisan. In turn, although it has augmented the production, but not made significant progress in promoting the product market. The rebate, provided to the consumers through cooperative, *bhavans* and *bhandars*, does not give a price incentive to the artisan's economy. However, such incentives create more demand for the produce, keeping the price level less fluctuating. Under such circumstances, the unit may not be in a position to reap the cost effective returns on the production in long run and its dependency on the institutional credit may be increased. The ideal policy to promote cottage and village industries should be adopt a strategy considerate to the artisans but which does not create dependency. Hence, the price support may be thought of for the catalytic promotion of product at the artisan's level. The argument can be conceptualised as a percentage of the rebate, which is approved by the government, may be diverted as price support and the price incentive may be given to the artisans directly.

Project financing is one of the important task to be managed in t proper way. The basic issue in project financing, is the assessment of economic liability which, by and large, depends on The fixed cost, variable costs, incidental costs, rent and interest on capital etc. These determinants, in an integrated manner, aid the extent to desired income of per unit production. The product design, plant and machinery, infrastructure, availability of skilled and unskilled and unskilled workers etc., comprise the factors affecting technical feasibility of the production unit. These factors have to be considered while financing a unit. While planning institutional support, it is also essential to ensure credit marketing linkage for efficient financing and prompt recovery to the borrowed money.

Distribution Planning

Product distribution has major significance in marketing. In the age of modern marketing devices, distribution planning plays an important role in performing trades at various hierarchies from wholesaling to retailing. There are seven important stages, which set the whole approach of product distribution. These are: (i) product characteristics, (ii) market area, (iii) existing methods of product distribution followed in the region, (iv) size and value of anticipated sales, (v) overhead costs, (vi) monitoring, and (vii) additional efforts in arranging effective distribution. An essential criterion for product distribution is the consumer recognition of the product. In absence of this, there would be spatial blockades in product mobilisation. On

assessing the popularity of the product, the nature of trade competition has to be analyzed to draw an appropriate distribution plan. The impact and loopholes in the competing trade channels would help in building up strategies for the sales realisation. However, the operational expenses on distribution network need to be carefully considered to avoid escalations in overhead costs. The distribution plans need to be appraised and monitored to streamline the distribution according to demand, cash flow and price trend. The additional efforts in consumer approachability and cost effectiveness would bring a fair opportunity to maximize the firm's profit.

Rural Trade Policy

In the developing countries, the trade policy is open with view to provide goods and services in rural areas adequately and at reasonable prices. However the implication of this open trade policy has liberalized the market forces and the urban products spread over rural markets, through a network of private traders. Besides trading, it has also affected the production sector, by taking over the rural products on the mechanised unit set up in private and corporate sectors. Such trends of production, and market control have intensively and extensively affected the performance of rural markets from the point of view of entrepreneur's profit. Thus, there is need for developing a protected trade policy for rural products to safeguard the entrepreneurial interests of rural industries sector and to withstand the open market competition. In this regard, the following considerations need to be made while formulating the trade policy:

(i) There should be a clear demarcation as to what items have to be produced in rural industries sector and such items should not be allowed to manufacture in large scale at mechanical units in urban areas.

(ii) The State patronage needs to be provided to the products of rural industries, and for marketing the products through government/ cooperative network.

(iii) There is an emerging need to provide sufficient media exposure for the rural products. In this regard, a schedule needs to be fixed on controlled media for covering the FAds of rural products. However, with a liberal policy with low cost, FAds can be formulated for insertion in press and Theatres.

(iv) The low cost technology may be made available for packaging and branding of rural products. In providing technology, the approachability and adaptability level should be kept in view.

(v) The products of rural areas need to be graded and appropriate quality control measures may be imposed on them before release to the market. The state agencies may initially provide financial support for quality control, which may be imposed upon them compulsorily.

Besides, the delivery system in rural areas for inputs needs to be strengthened by way of organizing more outlets in central and service villages. The cooperatives are being advocated as an effective alternative channel for support of input and also output marketing. However, while planning for a cooperative structure, exhaustive inquiry needs to be made about its viability and sustainability.

Planning Retailing

Retailing is a complex phenomenon in products marketing. It caters the needs of consumers of different behavioral dimensions. In rural areas, when commercialization was not deep rooted, there were localized markets for specific commodities produced in the hinterland, such as food grains, pottery, vegetable, etc. These trade practices had changed and an interesting modern development is the consolidation of variety goods in a given place and time as permanent retail outlets. However, in rural markets, which are held periodically, out of the wider variety of goods being moved from place to place to satisfy the growing needs of community emerged a new specialist known as the 'retailer' with his occupation as 'retailing'.

There are three main ways of retailing the consumer goods in their finished or semi-finished state. These are: firstly, the manufacturer, i.e., entrepreneur, grower or importer of urban goods can sell directly to the consumers; secondly, the sales to the consumer through retail outlet; and finally, the producer or entrepreneur can sell to the intermediary who in turn may resell to a retailer who sells to the ultimate consumer. Apart from these direct links often sales between similar types of organisations lengthen the chain, such as producer to producer, wholesaler to wholesaler, etc. These may be the discrete linkages, which are established, in specific economic conditions.

The relationship of the wholesalers with retailers is maintained by supply factor to the large extent. However, the price is also a factor, which governs the dynamism of these trade channels. The bulk of the retail trade is dependent on the supplies obtained through the wholesalers. Retailers, dealing in food grains, vegetables, sweetmeats, cosmetics, clothes; and general merchandise, thus procure their entire stock from the wholesalers. In retailing the direct contact with producer for supply of goods is more or less a unique state, since the wholesaler inevitably procures his supplies from the producer in most of the instances reaches the final consumer after having handed by at least two sets of intermediaries - local wholesaler and retailer.

The wholesaler generally differentiates the goods in terms of their quality and fixes tentative trade levels. The final price charged by retailer includes the commissions taken on the product at upper two levels as well as his margin of profit. In this process, the risk is with the speculation of supply at the wholesaler's level, which, in turn, generates supply gap at the retailer's level.

The rate of margin for a particular product depends on number of factors including cost of handling of the product, extent of price risk and other costs; attributes to make

the business profitable. For example, if the demand for a particular product is less, the stock will remain immobilized for a longer period. The cost of handling such commodities, therefore, exceeds than that of some other commodities used at a relatively rapid rate of turnover. This is the reason, the gross margin on conspicuous goods, such as photo material, toys, domestic electrical appliances, pressure cookers, etc., ranges between 18 to 36 per cent of the sales price in rural markets. It may, therefore, be noted that the cost effect on retailing also depends on the extent of stock position. The quantities which the consumers demand in a given periodically, weekly, fortnightly or monthly – vary from trade to trade. In general, larger the quantity demanded, greater will be the average purchase of the retailer and so the lower the cost of per unit purchase or sales. Therefore, the retailers selling provisions or foodgrains in rural markets charge a loan rate of margin (5 to 9 paise on sales) than those retailing in general merchandise, clothes, metal ornaments or cosmetics. In all, the risk in stocking and distribution prevails in the retailing in rural markets. The element of risk operates as a formative influence in determining retail costs in two different ways: (i) with the sales of perishable commodities, and (ii) with the sales of goods, the demand for which is influenced by the changing fashion. The latter may be the dumping effect of urban products into the rural market leading to the change in the consumer behaviour or interest thereof.

The retailers follow very close approach nipping psychosocial behaviour of the consumer, that is, by disposing the goods on credit. This practice, on one hand, develops inclination of the consumers to the particular retailer, and the other hand, most of retail itinerant traders and peddlers who visit the village markets round the week transact a substantial portion of their business through credit sales. The usual amount of credit allowed by the peddlers is Rs.150 to the extent and maximum Rs.400 by the stationed retailers. To operate the trade and at time, his financial limitations also need to be considered. Thus the lending of goods and services and credit becomes necessary. The character of retail trade is, therefore, greatly influenced by the nature and consumption of its patrons, their preference, shopping practices and pattern of consumption.

There are both traditional and modern ways of retailing commodities. The personal selling is the popular method of retailing in traditional manner. It is cost-effective and flexible approach, which can be drawn according to buyers' behaviour. But, such retail trading does not provide scope to deal with large variety of products and expansion of business through setting up branches at appropriate places. However, in rural areas, the personal sales through retail outlets are very common for village industries products. Such *retailing* takes place either in artisan's workshop or in village markets held daily /periodically. The modern techniques of retailing include through departmental stores, super markets, cooperatives societies, mobile shops platform displays, and sample sales. The text below presents approaches for planning effective retailing, of village industries products and management thereof. It also delineates the conventional pattern of retailing and its impact on product marketing in rural areas.

Planning Retail Outlets

Establishing retail outlets without appropriate planning results in various economic setbacks. There are some physical and financial parameters for planning retail outlets. Marketing is the function of demand and supply. Both the factors are governed by different sets of characters –buyers and sellers or producers – cum – sellers – and are drawn from different demographic clusters spatial locations. Thus, it can be stated that first step in planning retail outlets is an area approach. Succeeding to the first step, the task of selecting the type of retail outlet has to be attended. There are some approaches recommended to realise the tasks in planning for retailing. The types outlets, often suggested in rural areas are assertive in nature which may cater the requirements of different categories of the people distinguished by, income group and preference of buying. The turnover of the unit needs to be estimated on the basis of data analysis pertaining to statistically significant period, say seven to ten years of the existing retail outlets or the outlets catering in the hinterland determine the size of the outlet and budgeting accordingly. To acquire good market for the retailing, dumping technique may be adopted by selling new products and also routine consumable goods at lower prices as compared to other competing outlets. This approach is growth – oriented at the take off stage of the firm.

Budgeting is another aspect of planning, which determines the resource mobilization cycle of the firm. Depending on the size retail outlet opted by the entrepreneur; the investments have to be earmarked for physical assets and infrastructure. The working budget may form the financial allocation for recurring expenditures like stock purchase, wages, transportation, and revenues. The outlets for village industries are as observed to function successfully if planned on cooperative basis. The experiments and experiences of KVIC in setting up the bhandars on cooperative basis have added new dimensions in marketing of village industries products. Therefore, while working on budgetary provisions, considerable attention is required for capital generation through shares, grants and subsidies on one hand, and allocation for distribution of dividends etc., on the other.

Personal Selling

This is a very common practice of selling the commodities produced by rural artisans, which establishes direct relationship with the customer. The organisation of personal selling is limited to a maximum of five assistants and a minimum of two, depending upon the intensity of business, population of the area, market coverage of the product and the nature of the product. The edible products of village industries, such as processed foodgrains, spices, oil and other consumable items have to a large extent, fixed outlets in rural areas while clothes pottery, baskets, mats, etc., possess the itinerant character and are being sold in different periodic markets round the week. The transaction in personal selling is a three-cornered relationship involving the customer, the merchandise and assistant. These three characters need to be considered to learn the skill of salesmanship and to get the optimum economic returns. Of these, the role of merchandise in promoting the sale, keeping in view the customers' needs, seems to be most important.

Sales Management

In retailing the village industries products, the basic problem that arises is of quality in comparison to the finished products of urban origin. Therefore, the merchandise or retailer needs to follow a strategic approach in selling his home-based products. the dimensions of customer behaviour and management thereof is explained in Table 5.4

It is important to note that an entrepreneur can develop skill in retailing through the service to customers and an important part of this service is advising customers in widening their choice. The product information that has to the customers should cover the physical Status of the product, such as size weight or measure, colour, type of raw material used, strengthening material / chemicals used etc., original price, discount, durability, resistance (for fire, heat, sunlight, water dampness etc.), maintenance cost in case of non-consumables, nature and quality of competitive products and the like. The efficiency in retailing will depend on various factors pertaining to both retailer and customer. The basic factor for both the groups remains same but the perception differs. A proper match in these perceptions will have to the efficiency in retailing as well as consumer's satisfaction. Table 5.5 exhibits the levels of perceptions on various behavioural and economic factors that affect retailing. It reveals that for successful selling, a through understanding of people and merchandise is needed. There is no real advantage in examining the selling process, such as packaging, cash terms etc, but there is a greater value in looking at a sale as a four-stage process, viz., reception, discovering customer needs, helping in selection and closing of sales. Each of these stages provides wider scope of making the retail operations more effective.

Table 5.4
Behavioural Dimensions of Customers and Management in Retailing

	Intermediate Approach	Merchandise Decision
Window Viewing	Welcoming customer	Allowing freely inspecting, explaining salient feature of selected product in case of interest.
Decisive Customer	Providing more Options offering further invitations	Handling over the goods assuring better service and quality
Uncertain Customer Suspicious Customer Silent Customer	Explaining the merits of products and comparison with other products of similar nature in terms of price quality, measure etc.	Provide more options, offering samples, assurance to take back the goods if it does not suit to customer.



Table 5.5

Conflict and Perception in Retailing

Indicators	Sellers conflicts	Buyers Perceptions
Need	Variety of commodities with good quality	Specific commodity with good quality
Awareness	Place of product availability, channels of marketing comparative advantages.	Products quality cost benefit function.
Accessibility	Transport sources, availability, road	Approachable all seasons low fares and fright
Selection	Wide range, comparative advantages over similar products	Scope for choice, attractive, long lasting, <i>satisfactory</i>
Economy	Higher marketing margin, low marketing costs popular brand extension services, disposable, resale-repurchase value.	Low maintenance cost re-salable
Durability	Higher level of clientele, Prompt service. Popularity in media, satisfactory turnover	Conspicuous, classic, rare product, masterpiece.
Maintenance	Convincing to consumer	Low maintenance cost, easily serviceable, quality assurance.
Complimentarily	Availability of parts, related products and appliances	Availability for relative quality products.
Risk	Insurance, Consumer's fault in the product, transit losses, weather exposure etc.	Realizing the cost, low resale value in serviceable.

Notes

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MARKETING CHANNELS FOR RURAL INDUSTRIES¹

Rural business is the key element in the economic development of farm and non-farm sector. The rural markets are largely dominated by the traders and often criticized for shadowing the economic interests of the rural entrepreneurs. However, with reference to recent developments some institutional channels of marketing like cooperatives and District Supplies and Marketing Societies also co-exist in the rural areas. The entrepreneur has to make a logical exercise to strike a profitable bargain among the existing network of marketing channels. In this process the role of village level functionaries, District Rural Development Agencies, financial and economic judgments are very vital. This paper diagnoses the dimensions of decision making like choice of channel, government intervention, and profit judgments with empirical data. It is found that the economic judgments comprising price paid by the private and institutional agencies, disposal guarantee of the products, marketing assurance of institutional agencies, quantum and frequency of supply orders and the turnover are the major factors affecting the business decisions of the entrepreneurs as compared to other parameters like village level coordination, market decisions and financial implications.

* * *

The management of rural business activities is one of the important aspects in the overall performance of rural development. The rural business activated by Rural Entrepreneurial Firms (REFs) largely undergo the problems of decision making for a profitable bargain in the open and competitive market economy. In the recent past, the government has come forward with a scheme of providing institutional support for marketing of the products of REFs. However, it has not been implemented uniformly in all states due to administrative constraints and strong competition. The District Supplies and Marketing Societies (DSMS) have been planned to emerge as an independent agency for marketing of the products manufactured by the beneficiaries assisted under various rural development programmes.

However, the need for a separate organisation to emerge as DSMS to cater to the needs of marketing of the rural products, as there are large number of organisation already existing for the similar purpose, has been a long debated issue. In this regard, some of the research studies show that these institutions have not been able to function successfully due to lack of intersectoral coordination, innovative techniques, and marketing contacts with the beneficiaries in periodical phases. The major setback of DSMS has been noticed as the functional isolation. They can only give market preferences and market where possible.

The policy on rural marketing need to be drawn on symbiosis model to support (activity-activity) coordination in production and marketing activities to achieve an integrated development in the true sense. It is found in the study area that the development of handloom industry in rural areas is also dependent on the carpentry sector, as the looms have to be provided by the skilled carpenters. In this process, the carpentry industry can be provided with essential infrastructure, training and finance to manufacture the looms for the

¹ Rajagopal; Assistant Director, Centre for Agrarian Studies, NIRD. Article published in Journal of Rural Development, Vol 13(4) pp 593-601

handloom industry. Such an integrated network will develop a scope for production and marketing in various industries, which will lead to a comprehensive production and marketing implications with result to employment, and income generation in the rural villages. The Khadi and village Industries Commission has experimented such economic networking in some parts of the country. Of late, the Handloom Board has also evolved such interlinking scheme. The VISWA programme in Karnataka has also endorsed such activity linkages in integrated economic development.

The rural business is a complex phenomenon and many dimensions in making business decisions such as selection of marketing channel, understanding the intervention of government and making appropriate profit judgements. These crucial issues of product marketing largely affect the overall business efficiency of (REFs) in the long run. These dimensions have been discussed in this paper with an empirical database collected and analysed, taking a set of 40 beneficiaries assisted under various rural development programmes.

A Survey Analysis

The study has been conducted in the Amalapuram mandal of East Godavari district of Andhra Pradesh where a substantial number of beneficiaries have been provided assistance under rural industries sector. The data have been collected from 40 beneficiaries engaged in various rural industries activities in the mandal by administering a questionnaire. The data were collected on various indicators and analysed with weighted scores to understand the behavioral aspects influencing the rural marketing activities.

Table 1 shows that the innovative income generation and employment activities are adapted by the beneficiaries with an approach following from DRDA – BDO – VLW (68.7 per cent) but the replication and continuation in the administrative set – up (43.7 per cent). It is observed that the DRDA advocates more feasible income generative schemes, depending on the local needs and available resources like manufacture of drip irrigation pots and coconut shell handicrafts. Such innovative schemes are motivated under the dynamic leadership of officials. However, they are very volatile schemes and often become defunct with the change of leadership. The VLW – Beneficiary inter – sectoral coordination for development of product design and marketing techniques stood at a lower score of 65 per cent. There are various indicators, which affect the marketing decisions such as the inclination towards the private and institutional trade channels, marketing assistance provided by DRDAs and the practice of selling products on consignment basis with private and institutional channels (Table 2). Among these indicators, independently selling to private traders scored 81.87 per cent which is at par with the marketing assistance provided by DRDAs through fairs and institutional sales orders. The DRDAs participate in local festivals and fairs organised by the local authorities like 'Godavari Pushkaram' in Andhra Pradesh and display the products of IRDP and DWCRAs beneficiaries. This will help in promoting demand and market for their products in the region. It indicates that the DRDA, despite being a government agency, can also compete with the

private trade channels provided innovative market techniques are adopted among the beneficiaries to get such effect. It is essential for the DRDAs to percolate substantial awareness about marketing techniques among the beneficiaries. The economic judgements that affect the rural product marketing are exhibited in Table 3 which show an interesting picture that the price paid by the private traders is not satisfactory to a large extent but the rate of product – market turnover result is very high. It is observed that the mobility in product sales is very dynamic as compared to the static sales conditions of institutional channels like emporia. Table 4 shows the financial implications of rural product marketing which reveal that the own capital investment by the beneficiaries in product marketing is very low (32.5 per cent) which in turn leads to high institutional borrowings (63.12 per cent). In all it can be concluded that the gaps in capital requirement are bridged through non- traditional borrowings (52.5 per cent).

Table 1: Coordination of Village Level Functionaries

N=40

Indicators/ Parameters	Very effec- Tive	Effec- tive	Some What effe- ctive	Not effe- ctive	Score	% Res- ponse
Weights	(4)	(3)	(2)	(1)		
VLW – Beneficiary contact on the issues of common interest	21	8	7	4	2.9	72.5
VLW – Beneficiary contact on innovative interest for income/ employment generation activities	13	11	9	7	2.4	60.6
BDO – VLW – Beneficiary inter – sectoral coordination for development of technology and marketing	18	16	6	-	2.60	65.0
DRDA – BDO – Beneficiary approaches for innovative income and employment generation activities	24	9	4	3	2.75	68.7
Replication/continuation of innovative programme after the change of executives	5	3	9	23	1.75	43.7
Overall					2.48	62.0

Table 2: Scores of Marketing Decision Indicators

N=40

Indicators/ Parameters	Very effec- Tive	Effec- tive	Some What effe- ctive	Not effe- ctive	Score	% Res- ponse
Weights	(4)	(3)	(2)	(1)		
Selling independently to the private traders	24	6	7	3	3.27	81.87
Marketing through institutional channels	13	8	15	4	2.75	68.75
Guidance by BDO- VLW – DRDA on business activities	18	12	5	5	3.07	76.87
Marketing Assistance provided by DRDAs (through institutions, fairs etc.)	20	12	7	1	3.27	81.87
Selling on consignment basis to private traders/institutions	-	11	10	19	1.80	45.00
Overall					2.83	70.8

The factor efficiency in making business decisions by REFs is stated in Table 5. The final ranks of the factors are calculated on the basis of composite index analysis using the following formula:

$$R = R_i/N_i \text{ Where } R = \text{Final Rank}$$

$$R_i = \text{Sum of Ranks}$$

$$N_i = \text{Number of indicators}$$

The data reveal that the rate of village level functionaries in promoting business environment of REFs is negligible. However, the analysis reveals that marketing decisions are largely influenced by the economic judgements than any of the logistics.

Table 3: Scores of Economic Judgements in Rural Products Marketing
N = 40

Indicators/ Parameters	Very Satis- factory	Satis- factory	Some What Satis- factory	Not Satis- factory	Score	% Res- ponse
Weights	(4)	(3)	(2)	(1)		
Price paid by the private traders	-	4	14	22	1.55	38.75
Price paid by the institutions/DRDAs	6	16	12	7	2.47	61.87
Disposal guarantee for the products in private sector	6	19	12	3	2.70	67.5
Marketing assurance in institutional channel for products of Rural Orgn.	4	11	18	7	2.30	57.5
Frequency and/ quantity of orders placed for the products of rural origin by institutional marketing Agencies	2	14	22	2	2.40	60.00
Product turnover with private traders	6	33	8	3	2.80	70.00
Overall					2.37	59.25

Table 4: Scores of Financial Implications in Rural Marketing
N = 40

Indicators/ Parameters	High	Medium	Low	Marginal	Score	% Res- ponse
Weights	(4)	(3)	(2)	(1)		
Profit with selling Through private traders	-	4	29	7	1.92	48.17
Profit level with Selling through institutions	-	12	24	4	2.20	55.00
Own capital Investment	-	2	18	10	1.30	32.5
Institutional borrowing	-	26	9	5	2.52	63.12
Non – institutional Borrowings	8	9	6	13	2.10	52.5
Overall					2.008	50.2

Table 5: Scores of Financial Implications in Rural Marketing
N = 40

Indicators/ Parameters	Very Effic- Tive	Effec- tive	Some What effe- ctive	Not effe- ctive	Final Score	Final Ranks
Weights	(4)	(3)	(2)	(1)		
Village level Coordination	1.62 (3)	3.25 (4)	1.75 (3)	0.92 (3)	3.25	(4)
Marketing Decision	7.5 (1)	3.67 (3)	2.20 (2)	0.80 (4)	2.50	(3)
Economic Judgement	2.3 (2)	6.52 (1)	4.3 (1)	1.1 (1)	1.25	(1)
Financial Implication	0.8 (4)	0.8 (2)	3.97 (1)	4.3 (2)	0.97	(2)

Figures in Parenthesis indicate ranks.

Conclusion

Since the rural development programmes are largely production – oriented, an action plan should invariably be drawn to provide marketing support to the target group at the government level. There is a need for evolving a common approach for marketing support for the products of REFs at the national level and such policy should be implemented in various states by the Panchayati Raj Institutions. The basic inference that can be drawn from the survey analysis presented in this paper is to reorganise an institution for marketing activities at the grassroot level and generating substantial awareness of various behavioral and economic factors involved in appropriate decision making among REFs. The existing institutions like DSMS are not effectively functioning due to lack of demarcated work norms and a set state level policy. It is the basic weakness delineated in this study. Besides, the sustainability of the rural products in open competition is almost insignificant. Such conditions largely obstruct the product marketing and income generating process and bogs down the economy of the target group to the below poverty line. Establishment of inter – departmental coordination and clientele services by DSMS are essential in order to gain marketing efficiency and to set up profitable forward linkages. The Marketing Support System (MMS) should be considered as an integral part of the IRDP to claim the net benefits to the beneficiaries, helping them to cross the poverty barrier.

Net Working For Market Access

Gramin Information Center

Introduction:

India has a sound agriculture base. But with the traditional way of cultivation, it can neither keep pace with global crop average nor can produce enough to feed the local population in certain crops. Rural India is real India. Unfortunately the technological growth in the country has remained urban centric. This scenario has to change if the fruits of the progress have to reach the masses that live in the rural areas. For Rural Centric growth Information Technology can make a big impact to such a population.

Updated knowledge about weather forecast, crop cultivation practices, postharvest technology, water management through satellite tracking, commercial information, market information for grains, fruits and vegetables, processed food, low cost technology, government schemes and policies on Agriculture and Agribusiness can be made easily accessible to rural masses through information technology development at Rural places. *Mahratta Chamber of Commerce, Industries and Agriculture has proposed a concept for setting up a Gramin Information Center (GIC) as a means of providing latest information on latest technology and market access, which will enable farmers & Rural Food Processing Industries to plan their activities on commercial lines for realizing maximum value for their produce.*

MCCIA proposes 100 Gramin Information Centers in the state of Maharashtra. For the sustainability of the food industry it is important that it has well developed backward linkages. Most of the food processing industries are heavily dependent on the raw material supplied by agriculture producers in and around Pune. Information technology can play an important role in further strengthening of these linkages. *Gramin Information Center (GIC) as a means of providing latest information on latest technology and market access, which will enable farmers & Food processing Industries to plan their activities on commercial lines for realizing maximum value for their produce.*

Objective:

The basic objective of the GIC includes the following:

1. To develop a network of Agri business and food processing sector ultimately to work as network to supply technology information, market intelligence, prices, demand supply and international scenario.
2. Assisting the farmers and Food Processing Industries in their export efforts by providing information regarding rules and regulations, import duties, standards, specifications and negative list of agri-produce of the importing countries.

3. Providing information to farmers about various techniques in soil conservation, seed propagation, hybrid seeds, integrated pest management, integrated crop management to post harvest technologies and processing of the agriculture produce.

4. Contributing to more efficient marketing by dissemination of price information and fluctuation in demand globally and domestically.

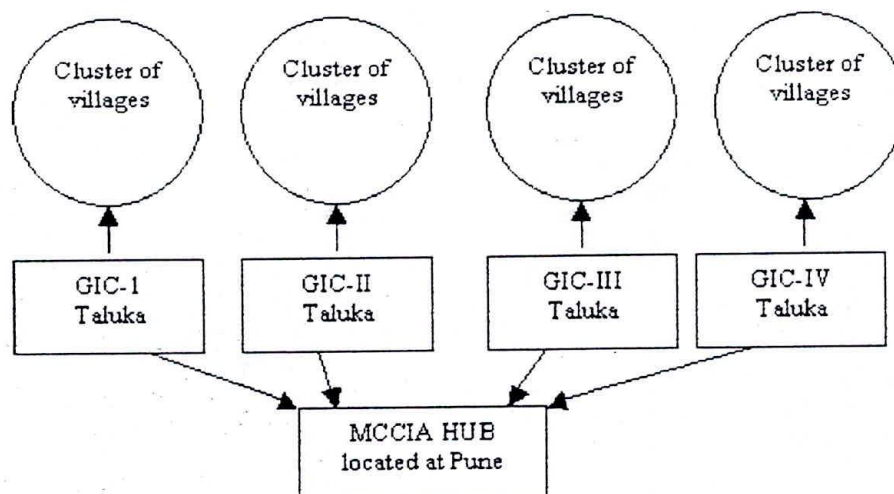
5. Providing detailed commercially useful information in time.

6. To develop institutional linkages

7. Creating awareness and conducting training modules for rural masses on computers through information technology.

Location:

The GIC is proposed to be located at the most convenient and approachable place at Taluka Level. There should not be any problem of electricity and Internet connectivity.



One GIC centre will cover about 20 villages with an average population of 3000 per village.

Infrastructure:

About 200 sq.ft. built-up area is proposed for setting up of GIC to start with which may be transferred in bigger area as per the requirement.

Management of GIC:

A model Gramin Information Center shall contain 1 server and 3 user nodes. The management of these centres will be done by local people/ local NGO. The one center that has already been started working is being looked after by 'Gomukh' a local NGO. The participation level of local people is gradually improving with the increase in the awareness level of information technology in these areas. The involvement of local youths from villages, who are well aware of the agro-climatic conditions, soil conditions of that regions would increase to manage these information center. These persons are generally Agriculture Graduates. Such Graduates will be specially trained as service providers in operational aspects of computers, use of Internet facility and search retrieval and giving the required/relevant data to the farmers and Agribusiness Entrepreneurs in local language. MCCIA provides basic training for setting up such centres.

Viability/Service Provider : GIC unit would mainly be self-sustaining. For the one centre "Chale" which is working about 30 KM from Pune About 15 farmers contributed Rs 1000 each towards the running cost. The services would become more cost effective with the increase in the number of users. Ultimately services/ information will be sold on per page basis.

Technical Support:

Technical support will be sort from the following agencies:

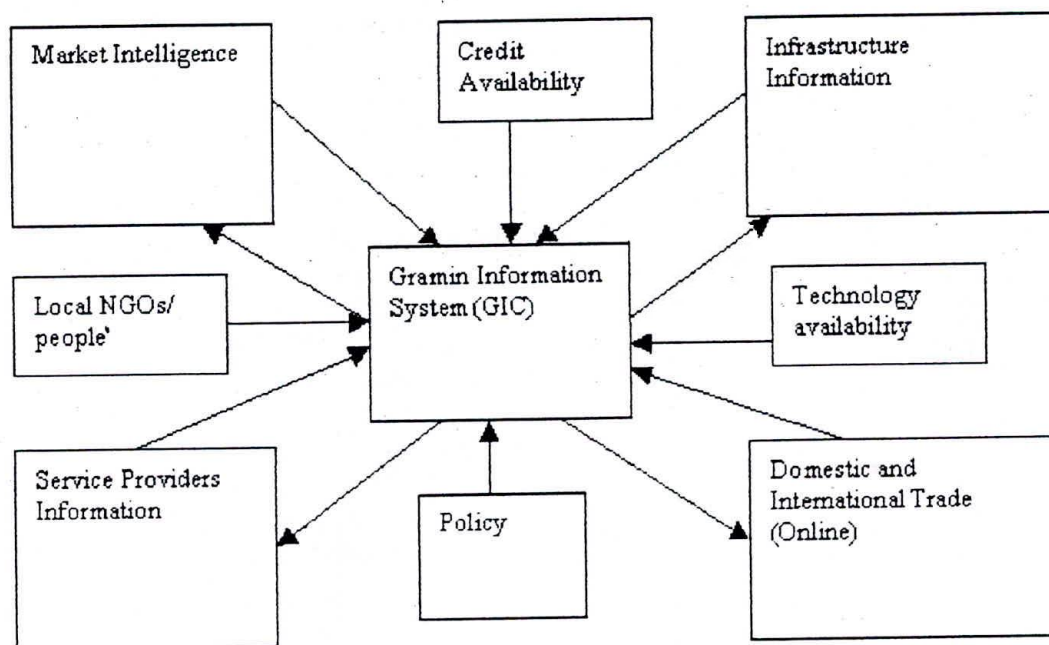
1. Agribusiness Cell, Government of Maharashtra
2. Ministry of Food Processing, Government of India
3. State Agriculture Universities
4. Central and Regional Research Institutions
5. MCCIA's Agribusiness Core Committee
6. National Horticulture Board
7. State Agriculture Marketing Board
8. Department of Horticulture, Government of Maharashtra

Project Output:

1. The bargaining position of farmers and Rural Agro-processing unit can be improved.
2. The raw material cost for food processing industry in and around will decline
3. Knowledge on technology and products is likely to help in standardisation of the raw material in food processing industry in and around Pune.

4. Access to information will educate farmers in shift of cropping patterns for high value production.
5. Will create more employment opportunities in that area.
6. It will help in creating more Agribusiness Entrepreneurship.

Chart Showing Flow of Information and Services



MCCIA HUB located at Pune :

The core activities of the Hub will be information exchange, analysis, research and communication. Following are some of the major opportunities that will be covered by MCCIA to strengthen the Gramin Information Center (GIC)

1. Database: The databases on traders, farmers, millers and plants could be leveraged to help market their products.
2. Resources from the Agricultural Universities across the states could be used to answer queries from farmers.
3. Resources from outside as well as within the food processing units could be used to answer queries from traders and industry.
4. Resources from the Support Institutions like Department of Horticulture, Ministry of Food Processing, SIDBI, NABARD, KVIC, CFTRI etc. could be used to strengthen the agribusiness activities in the area.
5. Ultimately all products in the entire agribusiness sector would form a part of the research and analysis portfolio.
6. Agriculture Graduates from the Local NGOs to be trained on operations and management of Gramin Information Center.
7. Coordination and monitoring the progress of Gramin Information Center.

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Website: www.foodindia.org

Section III

Effective management of marketing involves the following 6 Ms. i.e., Man, Money, Machine, Material, Market and Motion.

Man: You should have the right person for the right job. An introvert person may not prove to be effective in selling a product. You should also know how to delegate work and supervise it. Proper reporting system should be developed to keep you informed about the marketing activity.

Money: Money is the centre point of business. If one does not want to earn money, there is no need for marketing activities. You should be aware of where money comes from the where it goes and must control non-productive expenses.

Machine: To ensure quality product and in a viable quantity, suitable machinery has to be acquired and properly maintained thereafter. You must also be aware of obsolescence and make necessary technology changes when required.

Material: If raw material is of poor quality, the end product will be poor. If the raw material is costly, the end product will also be costly. A product may be good but if its packaging material is of inferior quality there may be a high percentage of rejection. If packaging materials is very costly your cost and price would go up, a competitor may have an advantage over you.

Market: You must identify your market segment and should try to match your product with the needs of your target audience.

Motion: You must be aware of the movement of your sales force and your products. You must know the movement of your advertising and promotion programmes.

To sum it, marketing is both challenging and an interesting activity. Anybody can produce a product but there is no guarantee that he can sell it, because buying depends on some other person. He has to accept the product. He should use it and be satisfied with it. If he rejects the product for any reason even the best production can turn out to be a failure.



The following section deals with basic 'Fundamentals of Marketing', aspects of 'Design and Product Development'. The section also includes articles on Handling and Packaging of Horticulture products and Milk

Marketing: Tool Kit¹

Marketing is the art of making someone want something you have. Nonprofits do a lot of marketing. They generally market in two ways: **Direct marketing of products or services. Indirect marketing of the organization, its programs and its people.**

Rural products can have two markets.

- (1) Rural Market
- (2) Urban Market

The rural product to be sold in urban areas has to be sold the urban way and not the rural way, otherwise it can fail in getting a market.

In these days of greater self-sufficiency, nonprofit organizations are selling goods and services which further their programs as well as bring in revenue to their beneficiaries. The art of doing that successfully involves marketing. Their indirect marketing is alternatively known as image building, fund-raising, membership development, community relations, political activities, or citizen education.

The key to successful marketing of products is answering the following question for your business: *How will you communicate a meaningful difference about your business idea (product or service) to the people who might be most interested in buying it?*

There are five questions that should be answered for every business:

- What's unique about your business idea?
- Who is your target buyer? Who buys your product or service now, and whom do you really want to sell to?
- Who are your competitors? As a small business, can you effectively compete in your chosen market?
- What positioning message do you want to communicate to your target buyers? How can you position your business or product to let people know they are special, in ways that are important to these buyers?
- What's your distribution strategy? How will you get your product or service in the hands of your customers? Often your distribution method will provide an additional marketing channel, or give you the opportunity to promote more products as you provide the first one.

¹ This tool kit is compiled from various field sources by Dr. Meena Galliara, Associate Professor, NMIMS

Q1 What's unique about your business idea?

Intuitively, or based on some research, you believe your business will succeed because you are doing something *different* from some or all of your competitors. The first test of any business, small or large, is its uniqueness. You may borrow a *good idea from other organizations or see what the available skill is with your beneficiary* and build a successful business around it. For example, every town needs a certain number of soaps, candles, clothes, eatables and so on but most of them look very much alike. However, if you examine the more successful items in your area, you'll notice that each one tends to emphasize and promote something special. It may be lower prices, better satisfaction, easy availability and so on. The point is, successful businesses find ways to make their products or services stand out from the crowd, or at least the crowd in their immediate geographic area.

If your business provides a product, sources of uniqueness can range from pricing¹, packaging, distribution method, or feature² differences, to the mere perception of a difference that may or may not exist.

Q 2 Who is your target buyer? Who buys your product or service now, and whom do you really want to sell to?

Do you know precisely who your customers are? You may know many of them by name, but do you really know what type of people or businesses they are? For example, if you sell to consumers, do you have *demographic information* (e.g., what are their average income ranges, education, typical occupations, geographic location, family makeup, etc.) that identifies your target buyer? What *about lifestyle information* (e.g., hobbies, interests, recreational/entertainment activities, political beliefs, cultural practices, etc.) regarding your target buyer?

This type of information can help you in two very important ways. It can help you make changes to your product or service itself, to better match with what your customers are likely to want. It can also tell you how to reach your customers through advertising, promotions, fairs, melas special out-lets etc.

For an obvious example, an organization that sells home made or hand pounded masalas or snacks then it is important for them to know that their customer is values home made products. Thus, if it can make masalas good enough to be

² Features are "descriptions" of a product or service (e.g., green color, pear-shaped, inexpensive, fast, slow, etc.)

Benefits are the "advantages" you receive from using the product or service (e.g., feel better, look beautiful, more endurance, etc.)

used even by house wives and hoteliers, it will have a convincing story about quality to tell. It can also benefit by using well-known hoteliers as spokespersons in its advertising, and by placing advertisements in such magazines where its customers are likely to see them.

For marketing rural products local and regional customers include local or regional communities, as well as tourists. This is the main target group for marketing via short distribution channels. Reaching this group generally requires little financial investment. Commercial activities are based on establishing a point of sale at the farm or the craft worker's premises, developing markets and local fairs and setting up promotional sales activities in busy areas (supermarkets, food halls), etc. Inexpensive local advertising (leaflets, local radio and newspapers) is sufficient.

Remote customers, both at home and abroad, include emigrants, tourists who have returned home and urban populations. The potential of such markets is great, and so are the costs and risks. This type of clientele should only be approached after having amassed a great deal of commercial experience. This approach can only be recommended to collective craft workers, businesses or groupings that already have significant financial resources and investment capability. It is a high-risk form of marketing because the product sold, when leaving its region, loses part of its direct association with the area and comes up against direct competition with the traditional or industrial products of other regions. Depending on the sales formula, reaching a remote clientele calls for all or some of the following resources:

- support for placing products on the market (packaging, communication medium, sales promoters, etc.);
- effective logistics (stocks and means of delivery);
- a structured and costly advertising strategy;
- a sales force (sales representatives, etc.)

Picking the right market segment means that it is:

- Measurable in quantitative terms
- Substantial enough to generate planned sales volume
- Accessible to your organization's distribution methods
- Sensitive to planned/affordable marketing spending events

Remember that it's not enough that people like your business concept. There must be enough target buyers on a frequent-enough basis to sustain your organization's sales, spending, and profits from year to year.

How to Segment Your Market

If the universe of all potential buyers is your "market," then the market can be divided up into sections or "segments" based on any number of factors. For example, you might divide up your customers by age group and find out to which age group are you selling the product. You might divide them up by economic status and find out their economic status. You might divide them up by geographic location and find out to which geographic zones you are selling your products.

Many small businesses stop there, thinking they have enough information to be able to identify and communicate with their most likely customers. However, larger companies will attempt to push on further and find out even more information about their customers' lifestyles³, values⁴, life stage⁵, etc.

You can find out more about your customers through market research. Larger companies segment their markets by conducting extensive market research projects, consisting of several rounds of exploratory research:

Customer and product data collection: Researchers gather data from users of similar products on:

- number and timing of brand purchases
- reasons for purchases
- consumers' attitudes about various product attributes
- importance of the product to the lifestyle of consumer
- category user information (demographics, psychographics, media habits, etc.)

What can smaller organizations do to segment their markets?

Smaller organizations can conduct individual interviews with key trade buyers and consumers or end users of their products and services (qualitative research). Often qualitative research can be accomplished for free or little expense. Smaller organizations can segment markets by geography, loyalty, distribution, price,

³ **Lifestyle** refers to the collective choice of hobbies, recreational pursuits, entertainment, vacations, and other non-work time pursuits

⁴ **Belief and value systems** include religious, political, nationalistic, and cultural beliefs and values.

⁵ **Life stage** refers to chronological benchmarking of people's lives at different ages (e.g., pre-teens, teenagers, empty-nesters, etc.).

packaging, sizes, product life, and other tangible factors in addition to demographics⁶, lifestyle and psychographics⁷ clustering.

Q 3 Who are your competitors? As a small business, can you effectively compete in your chosen market?

Once you've identified what's unique about your business and who are your target buyers, you need to identify your *direct* and indirect competitors. This is important before you finalize your decision about which business category and market segment to compete in. It is vital to the success of a new or existing business because it reduces risk, time, required resources, and expense. Find out if there are other NGOs, small businessmen, large business groups who are in the same product category as you are. For example, you decide to market cane bamboo products, which has a unique, texture, appearance and price benefits. But effectively competing with every cane bamboo manufacturer in that segment is going to be difficult. If the competition is too strong, it's going to be extremely difficult for a newcomer to break in. It may be more profitable to carefully target a specific segment of a category where the odds of success are greatest. Even established businesses need to periodically reevaluate their *direction in relation to competition*. If you wish to market in that particular segment you will have to think of an appropriate positioning strategy, which will give you appropriate result.

Q 4 What positioning message do you want to communicate to your target buyers? How can you position your business or product to let people know they are special, in ways that are important to these buyers?

There are many ways for a business to be unique, from small pricing, packaging, and service differences to significant feature and benefit contrasts with the competition. In all cases, your business's uniqueness has to be examined in relation to other products and services that your target buyer is currently using (i.e., things that your business hopes to replace with its own offerings). Differences really don't matter unless they are important enough to the customer to influence his or her purchasing decision. In some cases, there may actually be little or no difference between your product or service and that of your competitors. Or, the differences may be very difficult to communicate (think of the difference between Coke and Pepsi.) In that case, it's up to you to create some differences. Appropriate advertising should be done in urban areas for rural products (e.g. Handloom cloth has got market in city)

You need to construct a unique selling proposition (USP) for your product or business. **For instance Lijjat Papad talks about 'women's power' CRY**

⁶ **Demographics** refers to age, sex, income, education, race, marital status, size of household, geographic location, size of city, and profession.

⁷ **Psychographics** refers to personality and emotionally based behavior linked to purchase choices; for example, whether customers are risk-takers or risk-avoiders, impulsive buyers, etc.

projects the concept of "Child in Need". "Differentiation" is the collection of differences in features and benefits versus competitive products. *The key is to determine how important these collective differences are to the buyer.* Communication of important differences is the basis for a successful positioning strategy. "Positioning" is adding brand value to this collection of differences in the mind of the buyer. *In other words, you must solve the problem of how to communicate a meaningful difference about your business idea to the people who are most interested in buying it.* *Meaningful differences* in your product or service, compared to that of your competitors, should be created and communicated to your target buyer via packaging, pricing, features and benefits, product design, colors, advertising and promotion mediums, public relations events, and even spokespersons. Everything should work together to promote a consistent image for your product or service. You need to create unique selling proposition (USP)

There are several questions to ask about your business to determine a USP:

- What is unique about your business or brand vs. direct competitors? You'll probably find a whole list of things that set you apart; the next questions will help you decide which of these to focus on.
- Which of these factors are most important to the buyers and end users of your business or brand?
- Which of these factors are not easily imitable by the competitors?
- Which of these factors can be easily communicated and understood by buyers or end users?

You need to construct a memorable message (USP) of these unique, meaningful qualities about your business or brand. Marketing tools to communicate USP include local promotion, media advertising, promotion programs (e.g., direct mail), packaging, and sales personnel.

For examples of USP, think about different brands of products you've seen advertised on TV. What's the main message underlying the ad? Different brands and types of products utilize different primary themes, attributes, or ideas associated with each brand. For example, cigarette, liquor, and perfume advertising tends to sell brands based on emotional, "borrowed values," instead of strictly product features. Users are encouraged to fantasize that they may accrue the "benefits" of sex appeal or a more satisfying/fun lifestyle, perhaps portrayed by the famous or beautiful spokespersons for a particular brand. Similarly when you see the ad of Amul you feel a sense of pride. The simple test of determining whether you've constructed a good USP for your business is whether it sells for you! If it sells your business or brand, your USP is meaningfully different. If you've been in business for a while, you may have

constructed a USP unconsciously. For example, if you decided to provide free delivery service to your customers because no one else in town is doing it, you've constructed a USP based on service that you are communicating to the intended target buyer. If, however, you offer free delivery service because *everyone else* in town does so and you need to provide it simply to keep up with the competition, it's not something that sets you apart and should not be the focus of your USP.

For many small businesses, packaging sales materials, and sales personnel may be the only marketing tools affordable. It is even important to clearly determine your USP to communicate with these limited means. **Features** are "descriptions" of a product or service (e.g., green color, pear-shaped, inexpensive, fast, slow, etc.) **Benefits** are the "advantages" you receive from using the product or service (e.g., feel better, look beautiful, more endurance, etc.)

Q 5 What's your distribution strategy? How will you get your product or service in the hands of your customers?

Often your distribution method will provide an additional marketing channel, or give you the opportunity to promote more products as you provide the first one.

Distribution decisions have significant implications for:

1. product margins and profits
2. marketing budgets
3. final retail pricing
4. sales management practices

"Short" distribution channels:

- Selling direct from the farm or the place of production, including selling to tourists
- Mail-order selling
- Selling over the Internet
- Producers' shop
- Home deliveries
- Selling to local restaurateurs
- Selling to businesses
- Selling at fairs, local markets, shows
- Selling by the producer, on a separate stand, in local markets
- Selling through use of **sales force** — salaried employees of an organization, or independent commissioned representatives who usually sell products for more than one organization

- Exhibitions in urban area can help in obtaining very good market (e.g. furniture from UP villages sold in various cities.)
- More selling centers should be developed in urban areas.
- Craftsmen operating in villages should be brought to the cities to understand the requirement of the urban market and modify their other items in order to meet the requirements.

“Long” distribution channels

- Selling from hypermarket and supermarket shelves
- Selling to wholesalers
- Resale to retail merchants
- Export

NGOs while designing their distribution strategy can select multiple channels as per their budget and plan of reach. **Two types of distribution channels are there but many forms of marketing are evident as listed in the table below.**

Adapting the form of marketing to the target clientele

Potential customers	Form of marketing	Type of product
Tourists	<ul style="list-style-type: none"> • Direct farm sales • Tourist fair • Distance selling • Shop in tourist areas 	<ul style="list-style-type: none"> • Festive or typical products • Ordinary food products sold in local tourist areas
Local rural communities	<ul style="list-style-type: none"> • Direct farm sales • Local markets 	<ul style="list-style-type: none"> • Ordinary consumer products
Urban populations	<ul style="list-style-type: none"> • Urban shop • Gastronomic fair 	<ul style="list-style-type: none"> • Range of products • Festive products

Remember : Both distribution channels are necessary and complementary and they provide solutions to a wide range of situations, suited to the type of product (fresh products versus preserved or dried products, for example) and to the type of geographic region.

Packaging and Pricing Your Product

Packaging and pricing represent a very concrete way to communicate with your target market and express the positioning of your business.

Package design is more than just the look of the physical wrapper or outer container that a product comes in. Packaging can be the way in which services are bundled together for an intermediate buyer or end user. For physical products, the package label or wrapper may represent the product's entire business positioning, list of features and benefits, advertising, and promotion, especially for smaller businesses. Remember for urban buyers attractive packaging is required (for consumer items). Better finishing is required (e.g. arts and crafts e.g. vase, statue etc.). If possible, a brand name should be given on the packet (e.g. Lijjat Papad) - A Co-operative movement can be very helpful. Products like toys should have anti-toxic colours, which do not run and corners should be rounded for safety. Different producers or different middlemen price Art and craft products like statues, frames, vases, etc. differently. This confuses the customers and sometimes they give up the idea of buying.

Packaging designs should communicate the business positioning or unique set of values. Colors are also important to product positioning. For example amongst clothes and toys, red is considered to be the most exciting, noticeable color on the shelf. Red is a key color component for children's clothes, toys, blocks, and all products that directly, or indirectly, promise stimulation, excitement, energy, and social acceptance.

Blues and greens are considered soothing, calming, and serene. Yellow is for bright moods and celebrations. Orange is the color of fire. Black connotes power. Gold and silver connote high value. White is neutral or the color of purity. Many generic grocery products are packaged in simple white or brown paper to indicate the absence of expensive packaging and to separate them from regular, more expensive brands.

Packaging should attract the buyers to the shelf, or wherever else your products or services are available. Knowledge of the target buyer's lifestyle as reflected in the buyer's activities, opinions, interests, and demographics could be manifested in the package names, label design, package copy, and other key communication points. For instance fruit juice concentrate packs/bottles should have both the features and benefits communicated on the package as illustrated below.

Product features communicated on the package may include:

- 100 percent all-natural (ingredients)
- no preservatives or additives
- bio-degradable wrapper

Product benefits communicated on the package may include:

- safe energy for the whole family!
- environmentally compatible!
- no stomach upset!

PRICING

When a consumer feels that he is not getting his money's worth, the demand for the product may diminish. It is very difficult to dictate terms in buyer's market. Many a time the price is fixed on the basis of the competitor's price for that product. In case of an industrial product the price is based on the difference between demand and supply.

In India, price is often affected by excise duty, sales tax and local taxes like octroi, thereby making it difficult to maintain a uniform price throughout the country.

Let us take an example of how to calculate price of a readymade shirt.

The following method is generally used to decide on the pricing of a product:

(The pricing of a shirt is given as an example)

1. Direct cost of material (e.g. cloth used for making a shirt)	X	
2. Direct cost of labour (sewing charges)	X	
3. Direct expenses (electricity charges, thread, buttons, etc.)	X	
4. Indirect cost of material (e.g. lubricant for machines)	X	
5. Indirect cost of labour (e.g. maintenance charges, Accountant's salary)	X	
6. Indirect expenses (office rent - distribution charges)	X	
	Total cost :	_____
	+ Profit :	_____
	+ Taxes :	_____
	Price	_____

While computing the cost of product, expenses, which are not too apparent, should also be considered. Many a time these expenses, when not considered while pricing a product, lead to a loss. Taxes, handling charges, packaging charges should be considered too. For seasonal products, the profit ratio may be

high during the season when the product is in demand, e.g. kites in Utrayan, crackers in Diwali.

Before deciding on price, it is advisable to review the following points:

- (1) Potential demand for the product
- (2) Time taken to attain the profit level
- (3) Price in relation to demand (If by reducing the price there is no increase in demand, it means that the demand is inelastic.)
- (4) The target groups and their purchasing power
- (5) Promotion policy and expenses incurred for promotion
- (6) Distribution system and expenses incurred for it
- (7) The stage of the product life cycle. In case of stiff competition, it will be difficult to increase price beyond a certain point.

PRICING POLICY

Your pricing policy also depends on your objectives.

You may have to adopt any of the following policies depending upon your objective:

(1) "Return on Investment" pricing: The price is fixed after taking into consideration the financial aspect. "How much you have spent and how much you want to obtain" is the key factor in deciding the price. This has relation with the sales forecast too.

(2) "Penetrating the Market with a Low Price": You select the lowest yet profitable price per unit so that you can sell a maximum number of units. Once your product is in demand or is accepted in the market, you can increase the price of your product.

(3) "Introducing a Product at a Premium" price policy: When a product is innovative and when there is no competition, this policy can be applied. You can make optimum profit. When you face competition later, you can lower the price.

(4) "Ethical" pricing: Price is fixed keeping the welfare of the society in mind. For many life saving drugs, this particular policy is used. The product is sold at the lowest possible price with either a very reasonable margin or no profit at all. Profit may be earned from other products.

(5) "Full line" pricing: If you are selling jams, you may be offering various flavours like orange, pineapple, mango, etc. You may earn more profit in one flavour and less on the other. But, you cannot sell only the one that gives you

maximum profit, or else a customer may switch over to another brand since he would be able to exercise an option for other flavours.

(6) "Pricing on the Basis of Competition": In this case, you follow the leader for fixing the price. "Rasna" is the leader in the area of synthetic sherbets. Pricing of a similar product will have to be decided based on the price of "Rasna".

In India, well-known companies have now accepted a uniform price policy in order to avoid unethical competition. One watch company offers watches at the same price throughout the country by adjusting their margin. It has become mandatory for the price to be printed on the product in order to apprise the customers of the price as well as to prevent middlemen or shopkeepers to charge exorbitantly.

However, in the following four situations, pricing will pose a problem:

- (a) When you are setting a price for the first time.
- (b) When price change is required due to certain circumstances.
- (c) When a competitor changes the price and you are affected by it.
- (d) When one product has an impact on your other Products. i.e., when you introduce a new range of cards, you may have to reduce the price of the earlier range of cards because the earlier range of cards may take away a chunk of the market meant for the new range of cards.

Before you fix the price of your product, ask yourself whether you would buy that product at the price you have decided upon if you were a customer.

You must also ascertain:

- the retail prices of competing brands
- the commission offered to traders/distributors/stockists by competitors
- the ex-factory price (including taxes) of the competing brands
- the pricing strategy you want to adopt
- the special features of your product that would not hinder the customers from buying your products if you are charging a far higher price than that of your competitor.

Developing and Refining Your Product

The fastest way to go out of business is to introduce a great idea, but to never completely deliver the features or benefits that were promised. People who initially buy and then reject a new product are almost impossible to interest in trying the same improved brand again.

NGOs must bring clarity among all its staff members on the following:

- (1) You must try to find out what people need and design a product to satisfy that need.
- (2) *Think of the pros and cons of the particular product.*
- (3) Think of reasons why the customers would resist this product. Then decide what you ought to do and how to solve the problem.
- (4) Think of ways to improve that product. You can have a brainstorming (gather varied ideas and discuss them with your friends and acquaintances) session for the purpose.
- (5) Ensure that your product is the latest as far as technology is concerned.
- (6) Plan an economical production system.
- (7) Plan its packing, brand name, price, and other related matters.
- (8) Give a serious thought to who your competitors could be and how you would handle them.
- (9) Effectively plan your marketing system. For introducing your product in the market, you should know about its type.
- 10) For rural products, after sales service is mostly not made available. But for products like furniture, frames, after sales service may be necessary.

Designing For Handicrafts – A Socio -technological Perspective¹

ABSTRACT

Handicraft products constitute a significant part of the informal sector of the Indian economy. Product innovation and improvements in design technologies is necessary for keeping this sector economically sustainable. The present paper discusses, with the help of some case studies, how design tools and products can be developed for some applications. The paper also points out the socio-economic factors that need to be considered while undertaking any change of practice in this sector. Facilities available at IIT Kanpur and project work carried out there have been described.

INTRODUCTION

The economy of any nation, in general, and of a developing country like India, in particular, consists of two parts. The formal sector, which deals in areas like manufacturing, power generation, transportation, urban infrastructure, high technology and communication. *The second part is the informal sector involving areas like agriculture, handicrafts, rural services, and rural infrastructure.* The informal sector is as much a sizeable component of the overall economy as the formal sector.

The vitality and growth of the formal sector is usually reviewed and all concerned and appropriate actions are taken to ensure that this sector continues to be a vibrant component of the economy. However, the informal sector does not get as much attention. *This has resulted in a wide gap of status between these two streams in terms of economic strength as well as technological quality.* The present paper outlines a perspective for the handicraft products – a major activity of the informal sector in India

Handicraft products maintain a commanding presence in India. The footwear and saddlers from Kanpur are well known all over the world. The carpets from Mirzapur attract attention from far and wide places. The glassware from Shikohabad, the brassware from Muradabad, the carved-wooden furniture from Saharanpur, the ceramic products from Chinhat, the CHIKAN embroidery from Lucknow, the stoneware from Agra and the silk fabric from Varanasi are all famous for their designs, quality and elegance. One can extend this list to every region of India and the overall inventory of handicrafts from the country will become an impressive collection of products. Bamboo products from northeast,

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terracotta from Central India, wood-inlays from Mysore, handloom shawls from Himachal, handloom blankets from Maharashtra and colorful dresses from Gujarat and Rajasthan are attracting attention as well as revenues in the informal sector of Indian economy.

There are some serious signs of weakness in this informal sector. The novelty of material and design had brought in the first wave of success. However, the global competition and the continuous demand for novelty in design have slowed the growth of this sector. As the competition becomes more intense, there is a need to use the productivity tools of design and manufacture. Unfortunately, this sector has not kept pace with the changes in the technology. The design culture, in particular, depends heavily on a small set of ideas. This results in repetition and subsequent loss of market share.

This brings me to a fundamental observation about a society. The economic vitality of a society over a period depends on the new products and processes introduced in that society. Some products and services survive, some products and services flourish and some products and services die out over a period of time. While all these events are taking place, people become entrepreneurs, start manufacturing and marketing, employ fellow citizens and generate wealth. In short, the economic life changes as newer products come into the market and the old ones die out. This churning goes on at a rapid pace in the urban society.

A quick look around will prove that some products that we see today did not exist ten years back. Some products like the manual typewriter are gone from the scene with the result that a part of the economy associated with that product is also not active any more. Now, if one looks at the Indian rural society, it becomes clear that it remains away from new products and services. In some cases, the new product may also energize the economy of the rural society.

However, by and large, the economic activity centers on the traditional base of agriculture and Government-run rural services – handicrafts being another vital component. In short, the basic driver of economic momentum in terms of new products and services is singularly absent in Indian rural society. Products, which have become successful in the urban market, get pushed into the rural society. However, all such products have been developed keeping in mind a different type of need.

In short, the situation in terms of economic vitality vis-à-vis product innovation is not encouraging for the traditional handicrafts.

The primary focus of the present paper is to indicate how digital empowerment can help the handicrafts sector. It has been felt that cost-effective design and prototyping tools can improve the efficiency as well as productivity of artisan-designer. It has been also felt that present-day means of digital communication can help bridge the gap between artisans who are geographically located in remote areas of rural India and the consumers as well as designers who are

scattered all around the world. In other word, the economic vitality can be enhanced if not only marketing but also even design information can be transmitted between rural artisans and creative designers. It is felt that the digital empowerment of Indian handicrafts has immense potential to bring along a corresponding economic empowerment for the Indian artisans.

DESIGNING AND PROTOTYPING

The culture of design in India is deeply rooted in a sense of tradition. All designs whether of carpets or of sarees or of shoes are based on traditional motifs and patterns. Lack of innovation and experimentation produces repetitive designs. *Another reason for keeping the same patterns is related to the tooling required for production of designs.* For example, in case of CHIKAN embroidery, a stamp-block is required to print a design. These blocks are not made quickly and are not made available for any design. With this constraint, the designer works around only those options for which the stamp-blocks are available. It is the same case in jewellery. The overall culture of keeping same traditional design is a strong factor for loosing markets. In case of handicrafts, the artisan should be able to undertake bold experiments in design. For this purpose, it is necessary to provide *tools and processes, which provide the necessary freedom to a designer.*

Lack of visual tools is another handicap with designers. Most of the designs are described with some samples. The data is not in a form, which can be transmitted or communicated between different groups. The designers are dealing with graphic information. However, they are not able to use a graphic language nor are they able to use any of the graphics capabilities available today on a computer. Several sophisticated design and graphics packages are *available in the market. However, they are beyond the reach of handicraft designers in terms of price as well as knowledge.* In short, it is necessary to develop a library of software that is available in public domain and that can be used by an artisan for expanding the design envelope in an application area of handicraft.

Design automation has made rapid advances in the past two decades. The techniques of wire frame, surface and solid modeling provide a powerful modeling tool for an aircraft or a vehicle designer. The intent of most of these computer aided design tools has been on modeling and automation of the design process. The issue in case of handicraft design is quite different. Automation is *certainly not the goal. The priority is for providing tools of synthesis to designers.* Using these tools, one should be able to explore new designs. The second area of concern is the field of design for manufacturability. It is necessary for a designer to see that all the information required for realizing a design is generated quickly.

In case of a handloom weaver, it is necessary to develop a pattern of holes, which can be used to make a card that can be put on the loom. In the absence of

any intelligent help, a weaver relies on his or her knowledge base and makes several iterations before a final pattern of holes is approved. Similar situations arise in many other applications. It is necessary to provide software tools to handicraft designers in an affordable manner.

Most of the designers are talented in their art. However, they are not educated in a formal sense. Any communication with such a group to encourage them to see and use any software tool is always a difficult task. Consider the case of a tailor. I have wanted him to use simple software, which can give flat-patterns of a dress for a given set of dimensions. However, the person is in the awe of a computer to such an extent that he is afraid to use the software, let alone understand it. The psychological barrier is a real challenge with the designers of informal sector. Developing simple user interfaces is a prerequisite for any software that can be used by handicraft designers. The training of these designers is necessary.

Some senior designers need to be involved in the development of software. The software should not only be in a shareware form but it should have language-independent interfaces. The ability of a designer to create new works is based on the world of his or her experience. If a designer is able to interact with the outside world, with the potential customers, with the national and international community of fellow designers, it will enhance the bandwidth of communication. This, in turn, will provide new ideas for innovation. It is felt that with the use of Internet technology, the handicraft designers can broaden their field of experience and communication.

Finally, it is necessary to provide the tools of rapid prototyping in an appropriate form to handicraft designers. The technology of rapid prototyping as it is available to designers is very expensive. However, if simple tools are available for handicraft designers in terms of prototyping and tooling, it will certainly help in the overall cycle of product development.

SOCIO-ECONOMIC ASPECTS

Even though the informal sector of the economy in India is large, it is not growing in a sustainable manner. This state of affairs is due to several socio-economic factors. The technology and practices of design and production are outdated and training mechanisms are informal. This results in a gradual shrinkage of the number of skilled workers. It is necessary to keep the design and production means as good and affordable as possible. Product innovation is a key driver for sustainability. This factor remains singularly absent. Fear of technology is another factor. Many designers have got their training in their trade in an informal manner. They are usually very good in their skills and understanding. However, any new approach or any new methodology is always looked upon with reservations.

In many cases, some pilot projects were carried out to convince the designers about the new design tools. Even after seeing the results and agreeing to the

advantages, the designers continued to use the traditional methods. The cultural inertia to change is a major hurdle in this informal sector. Another psychological factor against any introduction of a new technology is the fear that it will make the human designer obsolete or redundant. The fear of automation in terms of machines replacing humans plays on the minds of many artisans.

There is a long chain of middlemen in the supply chain in the informal sector. It has been found that the economic returns to the designer and manufacturer of handicraft products are less as compared to a host of in-between agencies who bring these products to market and sell them successfully. The co-operative movement has helped to alleviate this situation. In case of handlooms and textile, *a number of local and regional co-operatives are able to give the appropriate returns to weavers.* However, it still remains unsatisfactory in many areas.

Some of the reasons why the business model of a handicraft designer-manufacturer is not good are related to the credit policy, cash-flow problems, prices of raw materials, lack of knowledge about market conditions and similar such socio-economic reasons. It is felt that if the awareness of a person who actually produces the goods is enhanced and if that person is empowered with cost-effective tools, *the economic sustainability of the handicraft sector will improve.* The macro-economic situation for the informal sector including the handicrafts component remains subdued. The state and central governments have set up several agencies for promotion of this sector. However, most of these agencies are not in good financial health.

Their own survival becomes critical rather than these agencies helping the individual entrepreneurs. There are several successful traders and middlemen who are able to market these products successfully. However, these agencies do not invest in either technology or product innovation or infrastructure. This results in some sort of economic stagnation. In order to bring in innovation and improve *the infrastructure, the handicraft sector needs to evolve an appropriate macro-economic model.* For white goods, electronics, cosmetics, and similar such fast moving consumer goods category, one sees the macro-economic model in place. However, the situation is not similar for the handicraft sector.

IITK CASE STUDIES

At CAD Laboratory, IIT Kanpur, a facility for product design and prototyping has been established. It consists of facilities for computer aided design, rapid prototyping, rapid tooling and reverse engineering. Two rapid prototyping systems – *fusion deposition modeling and solid ground curing* - are available. Three rapid tooling systems – silicone vacuum casting, epoxy molding, metal spray – have been established. A robotic arm is available for reverse engineering. Several design workstations are available along with a number of software packages. In the initial phase of work, the CAD Laboratory worked with several automotive and aerospace agencies. Since these industries are intrinsically inclined to absorb the high technology practices, it was easy to undertake and complete the projects sponsored by these industries of formal sector.

Around 1996, it was decided to see if technology and product innovation can be brought about in the footwear industry in Kanpur. We are presently working with several small and large footwear and saddler manufacturers in Kanpur. Some of our case studies show that product development is a weak area in this sector. As the market demands are changing from formal footwear to casual and sports footwear, the industry is not able to either come up with new designs nor able to *cope up with the changes taking place in the materials technology*.

The designers use so much of thumb-rule technology that any change in a product style poses difficulty for them. It is necessary to provide some simple shareware software tools for these designers. In a similar manner, tailors also need a set of design tools, which can be used effectively. Take the case of a simple computer like Pengachu. It can be used for developing some specific applications for footwear and apparel design.

Along similar lines, IIT Kanpur is working on CHIKAN embroidery project with the Physics and Media Group of MIT Media Lab. The project is aimed at developing a design tool and a plotter which can be used by rural artisans engaged in the production of this fine embroidery work. Designers from all over the world can use the design tool. The artisan should be able to download a design pattern at a rural location and print it on a piece of cloth. The workers can then do the embroidery work on these designs. We are also trying to see if a channel of communication can be established effectively between artisans and designers irrespective of their geographical locations.

CONCLUSIONS

Product innovation and improvements in design as well as manufacturing technologies occur in the formal sector of economy on a routine basis. In the case of the informal sector, the concept of product innovation remains subdued. A detailed socio-economic analysis is needed to see how the economic empowerment of rural societies can be brought about with the introduction of modern technologies of design and product innovation. In particular, the handicraft sector in India presents an appropriate case for introducing the tools of design and product development. It is felt that several segments of the handicraft sector will be benefited if such tools and products are available at an appropriate price. In order to overcome the cultural inertia of change, it is necessary to provide an appropriate environment of training and education. Since the economic size of this sector is large, any effort in the direction of technology improvement will yield significant dividends.

Detailed Guidelines for implementation of Product Development, Design Intervention and packaging (PRODIP) in KVIC, as per “DESIGN PACKAGE” APPROVED BY GOVERNMENT¹

BACKGROUND:

Role of design:

There is a pressing need for product development and design interventions in the Khadi and Village Industries (KVI) Sector. With increasing competition to the traditional KVI products from alternate materials, organised industries and imported goods, attention to product quality and design issues has become a most essential requirement to strengthen this sector.

A well designed quality product would mean and include consistency in quality of the product which is functional, user friendly, consumer-sensitive, aesthetically satisfying and also, as far as possible, eco-friendly.

Proper ‘design’ is required not only for products (output) but also has to be an integral part of inputs that is in production processes, tools etc. In as much as the pillar of the KVI sector is the artisan, KVI lays great emphasis on this area, that is in improving hand tools and small machines, reducing drudgery and improving the quality of work environment and the productivity of artisans.

The role of visual design and brand-identity for sales outlets is also important. There is need for common logos, shop and layout design, proper labelling and packaging of KVI products.

In the last few years, KVIC had/has initiated a number of design related projects, more of a pilot nature. They include:

- (a) ‘Khubsoorat’ Khadi -an effort to sell designer khadi products
- (b) Developing packaging for ‘Sarvodaya’ brand KVI products through National Institute of Packaging, Mumbai.
- (c) Involving nationally reputed star textile designers in designing khadi wear for display and sale in selected Delhi outlets.
- (d) Associating with National Institute of Design, Ahmedabad (NID) under UNDP project for design intervention in khadi production, processes and garments in nine institutions of Maharashtra and Gujarat.

¹ Downloaded from <http://kvic.nic.in>

NATIONAL CONSULTANT ON DESIGN:

KVIC has identified the National Institute of Design, Ahmedabad, the premier institution for design, (under the Ministry of Industries), as its national consultant. The national consultant will give appropriate hand holding support to KVIC in evolving systems, procedures and norms for design projects, so that 'design' becomes an integral part of KVIC working in a matter of few years. KVIC has already entered into a MOU with NID for this purpose, and a special 'KVIC Cell' has been opened in NID campus to exclusively address problems and challenges of KVI sector.

PREPARING PANEL OF DESIGNERS & PRODUCT DEVELOPERS:

Identification of designer is a specialized task. For this purpose NID has prepared a panel of institutions and individuals who could be contacted and used for design intervention projects, as and when necessary.

The list of such identified designers who are in the panel is being sent separately. It will be updated by NID from time to time and circulated.

The list is also available at:

- (i) Website of KVIC (www.kvic.org.in)
- (ii) KVIC Cell, NID Office, Ahmedabad
- (iii) Design Cell, IT Directorate, KVIC Mumbai

All Local Resource Institution (LRI's) can also take up design projects.

As the LRI's plus identified designers in NID panel is quite a wide list, projects should be entertained for sanction only if the designer is from this panel. Should a designer want to enrol himself in the NID panel, he may contact KVIC-NID Cell directly.

THE SCHEME:

To operationalise design related initiatives KVIC is now commencing a scheme called 'Scheme for Product Development, Design Intervention and Packaging in KVI Sector' (PRODIP)

BASIC APPROACH:

KVIC operates this scheme on 'Project Approach' basis that is activities will be approved as individual projects.

SOURCE OF FUNDS FOR SCHEME:

For this purpose, funds have been presently earmarked from existing Khadi Grant, Village Industries Grant, G & M Grant and S&T Grant. State/Regional Directors have been/are being intimated the budgets separately.

In future, funds may also be sourced from MDA, special grant from the parent or other Ministries, which will be intimated from time to time.

ACTIVITIES THAT CAN BE TAKEN UP UNDER THIS SCHEME

Projects relating to improvements of raw material, products, process, tool improvement, packaging, retail outlet improvement, layout design etc can be taken under this envisaged scheme. Preference should be given to schemes which have a multiplier effect rather than which go to support only a particular institution (for example: a project for training and developing of natural dye processing in khadi for a group of Khadi institutions in a contiguous area would be given preference vis-à-vis readymade dress design project for a particular institution). Likewise, preference should be given to projects that fit into identified properties/themes identified by KVIC-NID from time to time.

Activities that cannot be taken under this scheme:

- ☐ Any proposal for Civil Construction work in general
- ☐ Any proposal for construction work or major interior decoration work in retail outlet.
- ☐ Any proposal for purchase of furniture or fixtures or other items exceeding Rs. 40,000/- from scheme.
- ☐ Any proposal for purchase of capital equipment exceeding Rs. 40,000/- from scheme.
- ☐ Any proposal, which gives indication that it is substantially an activity for capital item purchase or installation rather than design or outlet upgradation. (However, reasonable expenditure - upto limits prescribed above - relating to shop window improvement, purchase of simple display frames, hangers and small tools, equipments etc. are allowed)

WHO CAN APPLY:

DEPARTMENTAL PROJECTS:

Funding for a project could be on the application of a KVIC Department or KVIB. This would be then called a KVIC Departmental project or KVIB project.

INSTITUTIONAL PROJECTS:

Public Institution Project: A Govt. agency, quasi-government agency, research institutions recognised, University or an affiliated college, that is public institutions, which receives funds fully or partly from Central or State Governments, can also apply under this scheme.

KVIC Institutions Project: Funding for a project could also be on the application of:

(a) directly aided or Board aided Khadi Institutions

(b) directly listed V.I. institutions of KVIC/KVIB

REGP Beneficiaries Project: Institutions or Individuals who have availed bank finance under the margin money scheme of KVIC can also apply under this scheme.

Preference would be given to major institution and to first time projects. All institutions will get opportunities to submit projects.

FINANCING PATTERN

Institutions:

Assistance will be limited to Rs.2 lakh or 75% of the project cost whichever is lower in case of KVI institutions

Individual:

Assistance will be limited to Rs.1 lakh or 75% of the project cost, whichever is lower in case of individual.

Note : There is no limit placed on the project cost but assistance from KVIC cannot exceed above limit per project.

PAYMENT NORMS

KVIC will cost/pay projects on 'actual expenses and Designer Fees (AE + DF) principle. Actual expenses will be broken into various cost heads like:

- Preparing prototypes
- Training
- Making samples

NID in consultation with KVIC, has prepared a standard proforma, showing how to work out the cost of the project. This is available as a part of the application form and needs to be filled in by the applicant institution very carefully, with guidance from designer. The format of application form is being sent separately.

Norms have also been fixed for paying the designer fees. Designers or product developers are graded by NID as:

- Senior designers
- Junior designers
- Trainee designers

depending upon their seniority, and repute. A mechanism has been put in place for grading them. Fees will be fixed according to their grades.

Thus fees would be on the basis of project and the personal grade of the designer. However, for Senior Designers a share of the increased sale of products developed can also be considered. Separate guidelines in this area will be adopted and issued by KVIC in consultation with NID.

OPERATIONAL ARRANGEMENTS

Nodal Agency:

National Institute of Design, Ahmedabad works as the Nodal Agency for the scheme. NID will give handholding support to KVIC in various aspects of the scheme. State/Regional Directors may contact KVIC – NID Cell at NID or Design Cell at KVIC for any specific clarification.

Local Resource Institutions (LRI)

Local Resource Institutions have been identified by NID (in consultation with KVIC) in various parts of the country. To begin with some institutions have been identified, based on their willingness so to facilitate start of work. These design institutions are geographically dispersed all over the country and their number would be increased, as per requirements, in phases. The object of identifying local resource institutions (LRI's) is that they would provide design services and takes up design projects (wherever possible) and also be part of the local Empowered Committee to sanction the project. Thus KVI institutions wishing to benefit from the scheme can get their support and sanction at local/regional level itself.

PERIOD OF PROJECT

The period of project should normally not exceed nine months from date of sanction. The Empowered committee while meeting will also fix the time frame in which project is to be completed.

DESIGN ACT

The Institution, designer or LRI and KVIC would hold the tripartite Intellectual Property Right of the selected design, which appears to have market potential. The registration amount can be a part of the project cost and the

design will be duly registered by KVIC and in the case of other designs on the payment of the whole amount to the designer or the LRI, his or their design rights shall be deemed to be passed on to the Khadi institutions.

Designs, which are duly registered, would come under royalty scheme where the designer, LRI and the KVIC would get royalty on the sales. NID can assist in the royalty scheme norms on case-to-case basis.

PROCEDURE FOR PREPARING, PROCESSING AND SANCTIONING PROJECTS.

(i) Preparation of Projects

Any institution/individual who is eligible to apply under this scheme (see para 6) will have to forward their/his application with a project proposal in prescribed application form to the Convener (i.e. concerned State/Regional Director of KVIC).

The application, duly scrutinised will be placed by the Convener (i.e. the State/Regional Director) before the Empowered Committee.

The Empowered Committee will evaluate the application and sanction them, if found satisfactory. Should available funds be limited, the Empowered Committee will prioritise them and sanction in sequence. The following points would be given special weightage while sanctioning the projects.

(i) Multiplier effect of the project – i.e. whether there is possibility of many individuals/institutions benefiting.

(ii) The initiative and drive shown by the applicant for this project reflected by way of (i) previous own efforts in this line (ii) additional financial contribution steps taken or willing to be taken for this effort.

(iii) First time projects – i.e. first time applicants will be given priority over applicants who have already been given a project.

(iv) Proposals, which fit into the themes identified from time to time by KVIC-NID.

Release of funds and monitoring of the Project:

Funds for the scheme will be at the disposal of State/Regional Director. Projects having inter-state or all India nature will be handled from Central Office. Details for all India projects will be conveyed separately.

On sanction of projects by the local Empowered Committee, the State/Regional Director, will (i) release the first instalment of 30% to the beneficiary (ii) send copy of the approved proposal and sanction order to KVIC Cell in NID for monitoring (iii) send one copy of the approved proposal and sanction order to Design Cell, IT section, Central Office for record. NID shall through

their mechanism monitor projects and instruct the State Director to release the second and third instalments of 30% each, totalling 90%.

NID shall also send completion report to the State/Regional Director who shall place it in the Empowered Committee and after their approval release the balance amount of 10%. The project thus comes to an end.

In very small projects of less than Rs.50,000/- the NID may compress the second and third instalment into one instalment to reduce the paper work.

Tasking & Evaluating Designers & Projects

At the end of a project, a Designer Report would be essential. NID will prepare standard reporting formats covering material used, process techniques used, skill & adaptation level. This is to be filled in by the Designer, and sent to NID. Formats on this are being sent by NID separately.

Maintenance of Records

Records relating to the entire scheme will be maintained at two levels :

- (i) At the State/Regional Offices, by the State/Regional Directors in his capacity as Member-Secretary of the Empowered Committee.
- (ii) At NID who shall monitor the projects and control their performance and output.

Grievance & Review Cell :

The Grievance and Review Cell would be at KVIC Headquarters at Mumbai and Chief Executive Officer would be the Chairman of the Cell who would be authorised to conduct any enquiry for any grievance.

- (ix) Guidelines to applicants, designers, State Directors & Members of Expert Committee.

For further information contact

- (a) KVIC Design Cell (Shri L.G. Israni)

IT Directorate, Khadi & V.I. Commission,

3, Irla Road, Vile Parle (west), Mumbai 400 056.

Tel/Fax: 628 7397, E-mail: ditkvic@bom3.vsnl.net.in

- (b) Ms. Geeta Dave/Dr. Himadri Ghosh

KVIC Cell

National Institute of Design, Paldi, Ahmedabad

Ph:079/664 2221 (Direct)/6605240/6639692 – Ext 4009,

kvicnidcell@icenet.net

Why Standards Matter¹

What if standards did not exist?

Standards make an enormous contribution to most aspects of our lives - although very often, that contribution is invisible. It is when there is an absence of standards that their importance is brought home. For example, as purchasers or users of products, we soon notice when they turn out to be of poor quality, do not fit, are incompatible with equipment we already have, are unreliable or dangerous. When products meet our expectations, we tend to take this for granted. We are usually unaware of the role played by standards in raising levels of quality, safety, reliability, efficiency and interchangeability - as well as in providing such benefits at an economical cost.

Bureau of Indian Standards (BIS)

1. In India we have the Bureau of Indian Standards (BIS), the National Standards body of India, which is a statutory body set up under the Bureau of Indian Standards Act, 1986. The Bureau is a body corporate and responsible for laying down policy guidelines for BIS.

It comprises of members representing the Industry, Consumer Organizations, Scientific & Research Institutes and Professional Bodies, Technical Institutions, Central ministries, State Governments and Members of Parliament.

2. STANDARDS FORMULATION

Indian Standards are formulated keeping in view national priorities, programmes for industrial development, technological needs; export promotion, consumer welfare, health, safety, etc.

So far over 17000 standards have been formulated in different technology areas.

3. CERTIFICATION

3.1 Product Certification

The product certification scheme is basically voluntary in nature and aims at providing quality, safety and dependability to the ultimate customer. Conformity is ensured by regular surveillance of the licensee's performance by surprise inspections and testing of samples, drawn both from the factory and the market.

¹ www.bis.org.in

3.2 Eco Mark - The Government of India had instituted a scheme in February 1991 known as ECO mark Scheme for labelling environment friendly products. The Bureau of Indian Standards administers this scheme.

3.3 Quality Management Systems Certification (ISO 9000) - BIS is a national agency authorized to operate Quality Systems Certification in India. It has adopted ISO 9000 series of standards as IS 9000 series Indian Standards, and aligned the procedure for operation of Quality Systems Certification, based on international criteria and is comparable to any other such systems being operated.

3.4 EMS Certification - With the growing concern for environment friendly industrial activity, ISO 14000 series of standards have been developed. BIS, after adoption of these standards as national standards, has launched Environment Management System (EMS) Certification (IS/ISO:14001).

3.5 HACCP Certification - BIS launched HACCP (Hazard Analysis Critical Control Points) based Quality System Certification Scheme as per the requirements of IS 15000: 1998 standard (equivalent to Codex ALINORM 97 / 13A).

3.6 Hallmarking of Gold Jewellery - In order to protect consumers against victimization of irregular gold quality. Hallmarking of gold jewellery was launched under BIS Act, 1986. This scheme is voluntary in nature.

4. LABORATORY TESTING, CALIBRATION AND MANAGEMENT

4.1 The Bureau has a chain of laboratories located in different parts of the country for conformity testing of certified products and samples offered by applicants for grant of license which is an essential feature of BIS Certification System. Modernization of BIS Laboratories has also been taken up.

5. STANDARDS PROMOTION

5.1 For a wider adoption of Indian Standards by the industry, organized purchaser, statutory bodies and universities,

BIS has formulated a plan which emphasizes on:

- Development of complementary level of standardization, namely, company standardization and association level standardization
- Effective implementation of standards through sectoral committees, such as, steel, food, textiles, information technology, automobiles and power.
- State Level Committees on Standardization and Quality Systems to ensure better implementation of Indian Standards.

- Use of Indian Standards in legislation
- Greater interaction with public and private sector undertakings
- Bulk public purchases based on standards and standard marked products
- Use of standards in education systems
- Intensified media campaign to create awareness

6. INTERNATIONAL COOPERATION

BIS as a founder member of International organization for Standardization (ISO) and continues to take an active part in international standardization. BIS is also actively involved in International Electro technical Commission (IEC) and has *participation status or observer status on all the important Technical Committees.*

7. NATIONAL TRAINING INSTITUTE

To provide training in the field of standardization, quality control, quality management system, environmental management system, laboratory management, etc. to industry personnel, the National Institute of Training for Standardization and Quality Management has been set up. A large number of participants from many developing countries have been trained in several such *programmes covering standardization and Quality Systems.*

8. BIS AND CONSUMERS

Service to consumers and creating quality consciousness among them BIS has set up a Consumer Affairs and Public Grievances Department at headquarters. Nominated Public Grievance Officers at Regional and Branch Offices to deal with consumer complaints against BIS services and ISI marked products

9. ENFORCEMENT

To keep an eye on misuse of standard mark, an Enforcement Department is functioning at HQs, with designated coordination officers in ROs and BOs. Complaints on misuse of Standard Mark are investigated by the Enforcement Department and appropriate legal action is taken.

10. WESTERN REGION The operation of the Bureau in the Western Region comprising of Maharashtra, Gujarat, Goa, Daman and Diu is looked after by the Western Regional Office located at Mumbai and the branch offices at Pune, Nagpur and inspection offices at Aurangabad.

What 'international standardization' means

When the large majority of products or services in a particular business or industry sector conform to International Standards, a state of industry-wide

standardization can be said to exist. This is achieved through consensus agreements between national delegations representing all the economic stakeholders concerned - suppliers, users, government regulators and other interest groups, such as consumers. They agree on specifications and criteria to be applied consistently in the classification of materials, in the manufacture and supply of products, in testing and analysis, in terminology and in the provision of services. In this way, International Standards provide a reference framework, or a common technological language, between suppliers and their customers - which facilitates trade and the transfer of technology.

Where to find information on standards

ISO's entire portfolio of standards is listed in the ISO Catalogue, which, can be accessed online. The site also provides access to the World Standards Services Network (WSSN), which is a network of publicly accessible Web servers of standards organizations around the world.

It contains links to international, regional and national standardization bodies, and also to other international and regional organizations, which develop standards in their specialized subject area, in addition to their principal activity.

In fact, there are several hundred thousand standards and technical regulations in the world containing special requirements for a particular country or region. Finding information about these, or about related conformity assessment activities, can be a heavy task. ISONET, the ISO Information Network, can ease the problem. This is a worldwide network of national standards information centres, which have cooperatively developed a system to provide rapid access to information about standards, technical regulations, and testing and conformity assessment activities in operation around the world. The World Trade Organization's Agreement on Technical Barriers to Trade (WTO/TBT) calls upon its signatory countries to establish a national enquiry point to answer questions on these same areas in relation to that country. In many countries, the ISONET and WTO enquiry points are one and the same.

BUREAU OF INDIAN STANDARDS

The industry is invited to avail the services offered by the Bureau from its various offices in Maharashtra :

Regional Office :

- * Manakalaya, E - 9, MIDC, Marol, Andheri (E), Mumbai - 400 093
- * Tel. : 8329295 / 7891 / 7892 / 7858* Fax : 022 - 8364820 * E - Mail : biswro@bom.nic.in
- * Website : www.bis.org.in

Branch Offices :

* 1st Floor, Plot No. 657 - 660, Market Yard, Gultekdi, Pune - 411 037 * Tel. : 4268659

* NIIT Building, 2nd Floor, Gokulpat Market, Nagpur - 440 010* Tel. : 525171

Sales Offices :

Novelty Chambers, 3rd Floor, Grant Road, Mumbai - 400 007 * Tel. : 3096528 / 3002921

Post harvest Handling of Horticulture Produce¹

Introduction

Horticultural crops not only provide us with nutritional and healthy foods, but also generate a cash income to growers. Appropriate production practices, careful harvesting and proper packaging, storage and transport all contribute to the good produce quality. Once a crop is harvested it is impossible to improve its quality. The horticultural crops, because of their high moisture content are inherently more liable to deteriorate especially under tropical conditions. Moreover, they are *biologically active and carry out transpiration, respiration, ripening and other biochemical activities*, which deteriorate the quality of the produce.

Losses during post harvest operations due to improper storage and handling are enormous and can range from 10-40 percent. Post harvest losses can occur in the field, in packing areas, in storage, during transportation and in the wholesale and retail market. Severe losses occur because of poor facilities, lack of know-how, poor management, market dysfunction or simply the carelessness of farmers. *Proper storage conditions, temperature and humidity are needed to lengthen the storage life and maintain quality once the crop has been cooled to the optimum storage temperature.*

Causes of Post Harvest Losses

Physiological and Biochemical Aspects

The quality of the harvested fruits and vegetables depend on the condition of *growth as well as physiological and biochemical changes they undergo after harvest*. Fruits and vegetable cells are still alive after harvest and continue their physiological activity. The post harvest quality and storage life of fruits appear to be controlled by the maturity. If the fruits are harvested at a proper stage of maturity the quality of the fruits is excellent. Poor quality and uneven ripening are due to early harvesting and late harvesting which results in extremely poor shelf life.

Respiration plays a very significant role in the post harvest life of the fruits. In most of the fruits, the rate of respiration increases rapidly with ripening. The sudden upsurge in respiration is called the 'climacteric rise', which is considered to be the turning point in the life of the fruit. After this the senescence and deterioration of the fruit begin. The fruits such as banana, papaya, mango, guava, jackfruit, fig, sapota, etc. belong to the category of climacteric fruits. While litchi, pineapple, grapes, pomegranate, lemon, orange, lime, etc. belong to the non-climacteric group. To extend the post harvest life of the fruits its respiration rate should be reduced as far as possible. Thus an understanding of the factors,

¹ Downloaded at <http://www.foodindia.org/postharvest.asp>

which influence the rate of respiration, is indispensable to post harvest technologies for manipulating the storage behaviour of fruits.

Mechanical Injury

Owing to their tender texture and high moisture content, fresh fruits and vegetables are very susceptible to mechanical injury. Poor handling, unsuitable containers, improper packaging and transportation can easily cause bruising, cutting, breaking, impact wounding and other forms of injury.

Parasitic Diseases

High post-harvest losses are caused by the invasion of fungi, bacteria, insects and other organisms. Microorganisms attack fresh produce easily and spread quickly, because the produce does not have much of a natural defence mechanism and has plenty of nutrients and moisture to support microbial growth. Post harvest decay control is becoming a more difficult task, because the number of pesticides available is falling rapidly as consumer concern for food safety increases.

Post harvest Technologies

Precooling

Good temperature management is the most effective way to reduce post-harvest losses and preserve the quality of fruits and vegetables. Products harvested from hot fields often carry field heat and have high rates of respiration. Rapid removal of field heat by precooling is so effective in quality preservation that this procedure is widely used for highly perishable fruits and vegetables. Currently used precooling methods include room cooling, forced-air cooling, water cooling, vacuum cooling and package icing

Room cooling is a relatively simple method, which needs only a refrigerated room with adequate cooling capacity. The produce is packed in containers, which are loosely stacked in the cooling room, leaving enough space between containers for each one to be exposed to circulating cold air. The rate of cooling is rather slow compared to other methods of cooling, because the heat inside each container needs to be transferred to the surface of the container by means of conduction before being carried away by the refrigerated air. It may take hours or even days to cool a product, depending on what kind of product it is, the size and nature of the container, and the temperature and velocity of the circulating air.

Forced-air cooling is a more rapid way of using air to cool produce. Cold air is forced to flow through the inside of each container, so that it carries away heat directly from the surface of the produce rather than from the surface of the container. The airflow is produced by creating a pressure difference between the two perforated sides of each container. The containers are stacked inside a covered tunnel with an exhaust fan at one end. Highly perishable and high-value products such as grapes, strawberries and raspberries may be cooled in less than an hour using this method.

Hydro cooling is a rapid and less expensive method. Produce is exposed to cold water by means of showering or dipping. The required cooling time is often a matter of minutes. However, not all kinds of products tolerate hydro cooling. Hydro cooled products inevitably have a wet surface, which may encourage decay in some kinds of produce.

Vacuum cooling is the most efficient way to cool leafy vegetables, particularly headed ones such as head lettuce, cabbage and Chinese cabbage. The produce is placed inside a vacuum tube in which air pressure is reduced. When the pressure is lowered to 4.6 mm Hg, water "boils" off at 0°C from all over the leaf surface. The boiling effect draws heat for vaporization, and hence cools the produce. The cooling time is usually in the order of 20 to 30 minutes. Unfortunately, the equipment needed for vacuum cooling is very expensive, and may not be a good choice for small-scale farming systems.

Ice bank cooler is a new development in refrigeration with positive ventilation. In this system ice cool air is passed through the boxes containing horticultural produce. This facilitates quicker cooling and large amount of heat is removed in a relatively shorter period. The store maintains a temperature of 0.5 - 0.8°C and relative humidity of 98 percent.

Package icing or top icing is the simplest way of cooling. Adding crushed ice, flake-ice or slurry of ice in containers can cool the produce. However, this method is not suitable for produce, which is very sensitive to ice-cold temperatures. Cooling by ice also inevitably wets both the produce and container, and generates water, which needs to be drained.

Sanitation

Sanitation is of great concern to produce handlers, not only to protect produce against post harvest diseases, but also to protect consumers from food borne illnesses. *E.coli* 157:H7, *Salmonella*, *Chyptosporidium*, *Hepatitis* and *Cyclospora* are among the disease causing organisms that have been transferred via fresh fruits and vegetables. Use of a disinfectant in wash water can help to prevent both post harvest diseases and food borne illnesses.

1160-100
p03

15857
100

Chlorine in the form of a sodium hypochlorite solution or as a dry powdered calcium hypochlorite can be used in hydro-cooling or wash water as a disinfectant. For the majority of vegetables, chlorine in wash water should be maintained in the range of 75-150 ppm (parts per million). The antimicrobial form, hypochlorous acid, is mostly available in water with a neutral pH (6.5 to 7.5). *Organic growers must use chlorine with caution, as it is classified as a restricted material.*

Ozonation is another technology that can be used to sanitize produce. A naturally occurring molecule, ozone is a powerful disinfectant. Fruit and vegetable growers have begun using it in dump tanks as well, where it can be thousands of times more effective than chlorine. Ozone not only kills whatever food borne pathogens might be present, it also destroys microbes responsible for spoilage. A basic system consists of an ozone generator, a monitor to gauge and adjust the levels of ozone being produced and a device to dissolve the ozone gas into the water.

Hydrogen peroxide can also be used as a disinfectant. Concentrations of 0.5% or less are effective for inhibiting development of post harvest decay caused by a number of fungi. Hydrogen peroxide has a low toxicity rating and is generally recognized as having little potential for environmental damage.

Presizing and Storage

For many commodities fruits below a certain size are eliminated manually or mechanically by presizing belt. Undersized fruits are diverted for processing. The sorting process eliminates cull, overripe, misshapen and otherwise defective fruit *and separates produce by colour, maturity and ripeness classes.*

Grading

Essentially all fruits and vegetables sold in modern markets are graded and sized into two or more grades according to trade standards. Sophisticated marketing systems require precise grading standards for each kind of product. More primitive markets may not use written grade standards, but the products are sorted and sized to some extent.

Typical grading facilities in large packinghouses include dumpers and conveyors. Produce is graded by human eyes and hands while moving along conveyor belts or rollers. "Electric eyes" are sometimes used to sort produce by colour. In small scale packing operations, one or a few grading tables may be enough. Dumping, conveying and grasping can cause mechanical injury to some products. Equipment should have a smooth, soft surface and dumping and grading operations should be gentle to minimize injuries.



Many products are sized according to their weight. Automated weight sizers of various capacities are used in packinghouses. Round or nearly round fruits are often sized according to their diameter, using automated chain or roller sizers or hand carried ring sizers. An inefficient sizing operation can also cause significant injuries.

Waxing

Food grade waxes are commonly applied to replace some of the natural waxes removed in the washing and cleaning operations to reduce water loss and to improve appearance. It also provides protection against decay organisms. *Waxing may be done after grading and fungicides may be added to the wax.* Application of wax and post harvest fungicides must be indicated on each container where the refrigerated storage facilities are not available. Protective skin coating with wax is one of the methods for increasing the storage life of fresh fruits.

Packaging

Packaging of fresh fruits and vegetables has a great significance in reducing the wastage. Packaging provides protection from physical damage during storage, transportation and marketing.

There are variety of packages, packaging materials and inserts available. There are two types of packaging. The first is when produce is packed in containers for transportation and wholesale. The second is when produce is packed into small retail units. Ideal containers for packing fruits and vegetables should have the following attributes. They are easy to handle, they provide good *protection from mechanical damage, they have adequate ventilation and they are* convenient for merchandising. They should also be inexpensive and easily degradable or recyclable. Many kinds of containers have been used but the "ideal" is yet to be found. Users often put economic considerations first in selecting containers. Fancy containers such as fiberboard boxes or wooden or plastic crates, are often used for high-value products. Inexpensive containers such as bamboo baskets or nylon net sacs are used for low-priced produce. Methods of packaging can affect the stability of products in the container during shipping, *and influence how much the container protects their quality.* In fiberboard boxes, for example, delicate and high-priced products are often packed in trays, while other products are simply put in the box in groups.

Prepackaging or consumer packaging generally provides additional protection for the products. It is also convenient for retailers as well as customers, and therefore adds value to produce. However, over-use of non-biodegradable plastic trays and wrapping materials, as often seen in modern supermarkets, which creates an extra burden of waste disposal and damages the environment.

Factors Affecting Storage Life

Relative Humidity

Transpiration rates (water loss from produce) are determined by the moisture content of the air, which is usually expressed as relative humidity. At high relative humidity, produce maintains salable weight, appearance, nutritional quality and flavour, while wilting, softening and juiciness are reduced. Leafy vegetables with high surface-to-volume ratios, injured produce and immature fruits and vegetables have higher transpiration rates. High temperatures, low relative humidity and high air velocity increase transpiration rates. Relative humidity needs to be monitored and controlled in storage. Control can be achieved by a variety of methods:

1. Operating a humidifier in the storage area.
2. Regulating air movement and ventilation in relation to storage room load.
3. Maintaining refrigeration coil temperature within the storage room.
4. Using moisture barriers in the insulation of the storage room or transport vehicle.
5. Wetting the storage room floor.
6. Using crushed ice to pack produce for shipment.
7. Sprinkling leafy vegetables, cool-season root vegetables and immature fruits and vegetables with water.

Temperature

Respiration and metabolic rates are directly related to room temperatures within a given range. The higher the rate of respiration, the faster the produce deteriorates. Lower temperatures reduce respiration rates and the ripening and senescence processes, which prolong the storage life of fruits and vegetables. Low temperatures also slow the growth of pathogenic fungi, which cause spoilage of fruits and vegetables in storage.

Producers should give special care and attention to proper storage conditions for produce with high to extremely high respiration rates, as these crops will deteriorate much more quickly.

It is impossible to make a single recommendation for cool storage of all fruits and vegetables. Climate of the area where the crop originated, the plant part, the season of harvest and crop maturity at harvest are important factors in determining the optimum temperature. A general rule for vegetables is that cool-season crops should be stored at cooler temperatures (0 to 1.7°C) and warm-season crops should be stored at warmer temperatures (7 to 13°C).

Freezing injury

Temperatures that are too low can be just as damaging as those too high. Freezing will occur in all commodities below 0°C. Whether injury occurs depends on the commodity. Some can be repeatedly frozen and thawed without damage, while others are ruined by one freezing. Injury from freezing temperatures can appear in plant tissues as loss of rigidity, softening and water soaking. Injury can be reduced if the produce is allowed to warm up slowly to optimum storage temperatures and if it is not handled during the thawing period. Injured produce should be marketed immediately, as freezing shortens its storage life.

Chilling injury

Fruits and vegetables that require warmer storage temperatures (4.5 to 13°C) can be damaged if they are subjected to near-freezing temperatures (0°C). Cooler temperatures interfere with normal metabolic processes. Injury symptoms are varied and often do not develop until the produce has been returned to warmer temperatures for several days. Besides physical damage, chilled produce is often more susceptible to disease infection.

Ethylene

Ethylene, a natural hormone produced by some fruits as they ripen, promotes additional ripening of produce exposed to it. The old age saying that one bad apple spoils the whole bushel is true. The damaged or diseased fruits produce high levels of ethylene and stimulate the other apples to ripen too quickly. As the fruits ripen, they become more susceptible to disease. Ethylene "producers" should not be stored with fruits, vegetables, or flowers that are sensitive to it. The result could be loss of quality, reduced shelf life and specific symptoms of injury. Ethylene producers include apples, apricots, avocados, ripening bananas, honeydew melons, papayas, peaches, pears, plums and tomatoes

Storage Facilities

Crops that require different storage conditions will need three different storage facilities.

- Cold Storage (temperatures 0 to 2.2°C)
- Cool Storage (temperatures 4.5 to 13°F)
- Warmer storage (temperatures 13 to 15.6°F)

A recording thermometer can be helpful in determining whether storage facilities are maintaining ideal conditions and are not fluctuating. A maximum/minimum

thermometer could be substituted. Relative humidity also should be monitored with a hygrometer. Controlling and monitoring temperature and relative humidity will enable a grower to maintain optimum storage conditions for maximum storage life of the crop and to minimize crop damage from chilling, freezing or high temperature injuries and water loss from the crop.

Air-Cooled Common Storage

This is widely used for storing horticultural products, particularly those that have good keeping quality even without a precise low temperature. However, its use is generally limited to cool seasons in temperate and sub-tropical regions, or high altitude areas where there are low ambient temperatures at night. An ideal storage room is adequately insulated and has a good ventilation control system, which draws cool air inside during night and keeps warm air out during the day.

Refrigerated Storage

Refrigerated storage is a well-established technology widely used for storing horticultural crops all over the world. Its application is limited only by cost and benefit considerations. Essentially, all crops can benefit by being stored at a suitable low temperature, which extends the storage life and preserves quality. Many horticultural crops have storage life spans ranging from less than one month to several months when refrigerated. Therefore, refrigerated storage can be used continuously only if different crops with different harvesting seasons can share the facility. There are other important reasons why this method is not used in many tropical and sub-tropical countries, where refrigeration is needed most. The initial investment cost is too high and its energy consumption too large for many countries.

Hydrobaric Storage

In this system the horticultural produce is kept in a vacuum-tight and refrigerated container and the air is evacuated by vacuum pump to achieve desired low pressure. The low pressure retards ripening by decreasing respiration. However this is more expensive method.

Controlled Atmosphere Storage (CA)

The fresh horticultural produce consumes oxygen for respiration and releases carbon dioxide and ethylene. The ethylene further enhances ripening. Reducing oxygen and increasing carbon dioxide can increase the shelf life. In CA storage the levels of CO₂, O₂ and N₂ in the storage room are monitored. CA storage combined with refrigeration reduces respiration and delays yellowing and quality changes. However the tolerance of individual varieties of horticultural crops needs to be considered. Commercial application of CA storage is limited to only a few crops, apples and pears being the most popular ones. It is not used for other

crops because the benefit is too slight to cover the cost. The technologies involved are complicated and sophisticated. The cost of building, facilities, and management for CA storage is considerably higher than for refrigerated storage. Therefore it should not be recommended for any crop without a thorough cost and benefit analysis.

Transportation

Inland transportation of horticultural crops is usually by rail or by truck. Overseas transportation is by sea or by air. A limited amount of high-valued produce is sometimes transported overland by air. The basic requirements for conditions during transportation are proper control of temperature and humidity and adequate ventilation. In addition, proper packaging and stacking, to avoid excessive movement or vibration, should immobilize the produce. Vibration and impact during transportation may cause severe bruising or other types of mechanical injury.

Refrigerated containers and trailers are more often used for long distance shipping, whether by sea, rail or truck. Shipping by refrigerated trucks is not only convenient, but also effective in preserving the quality of product. However, both the initial investment and the operating costs are very high. Another possibility is insulated or properly ventilated trailer trucks. Precooled products can be transported through well-insulated non-refrigerated trucks for up to several hours without any significant rise in product temperature. There are considerable cost savings without any sacrifice of quality if trucks are only insulated, rather than refrigerated, for short-distance shipping. If the product is not precooled or if the shipping distance is long, a ventilated truck is a better choice than an insulated truck without ventilation and without refrigeration. Ventilation alone does not usually provide a uniform cool temperature, but it may help dissipate excessive field heat and respiration heat, and thus avoid high temperature injury.

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Packaging of milk and milk products¹

Packaging means placing a commodity into a protective wrapper or container for transport or storage. Package has three fold functions of containing, protecting and merchandising. Package should be large one with proper constructional features so as to avoid leakage and spoilage. It provides protection of the product against contamination or loss and damage or degradation due to microbial action, exposure to heat, light, moisture and oxygen, evaporation etc. It also helps in selling the products.

In old day's, for packaging of milk and milk products, traditional methods and containers like earth ware cups, wooden baskets with leaf lining were in use. But as a result of globalization newer marketing systems like super markets, self services stores etc started and packaging technology in this sector has risen to great heights. Newer and better packaging materials, development of packaging machinery and appliances have all advanced in an integrated manner.

While packaging of milk and milk products care should be taken to avoid spoilage. Packaging machinery should be suitable and in good condition for filling, sealing. Gas packaging is properly done, keep head space and seal properly to avoid entry of microbes. With rapid industrialization and improvement in transportation methods, packaging standards would have to be reviewed periodically so as to effect an economy in packaging-which is so vital, particularly in international trade.

Packing materials and forms

Following are the packing materials used for packaging different milk products.

A) Materials

Paper and paper based products

The papers are used commonly in the form of wrappers, cartons, boxes, bags etc. The merits of paper are its relative weightlessness, low cost and easy disposal, its availability in various types etc while disadvantages are it is of low tear and wet-strength (unless treated or coated). But for packaging of cheese coated or lined papers are used.

Plastics

A wide variety of rigid plastics can be used as thermoformed, such as bottles, cartons etc. Flexible plastic packaging films are used as wrappers/bags/pouches.

¹ Downloaded at

<http://www.indiaagronet.com/indiaagronet/DAIRY/CONTENTS/Packaging%20of%20milk.htm>

These are of two types namely low polymers which includes cellophane (coated with polyethylene) and high polymers which includes polypropylene, polystyrene, polyester etc. The merits of rigid plastic containers are its low cost and ease of fabrication, and demerits are lack of product compatibility, plastic deterioration, lack of resistance to high heat and fragility at low temperatures.

Aluminium foil

Aluminium foil has good barrier properties, is greaseproof, non-sorptive, shrink-proof, odourless and tasteless, hygienic, non-toxic, bright in appearance etc. The common thickness of this medium for use in products is 0.012 to 0.015mm. *Disadvantages are it has low tear strength, is attacked by certain strong alkalis and acids, and it does not heat-seal by itself.*

Timber

Timber is used in the form of box, tub or barrel. It should be free from odour, have an attractive appearance and necessary mechanical strength. It may be treated with casein-formalin, or spread with paraffin wax or plastics, to make it *more water resistant and prevent the passage of the timber-taint to butter.* Wooden boxes are commonly used for film packaging of green cheese to preserve their shapes.

Glass

Glass may be transparent or opaque. Used in the form of bottles, jars, jugs etc. Glass has the merits of strength, rigidity, and an excellent gas and water vapour barrier while the disadvantage is of heavy weight and fragility.

Tinplate

This consists of a thin sheet (0.025mm thick) of mild steel coated on both sides with a layer of pure tin. Tinplates have the merits of good strength, excellent barrier properties while the demerits are of high cost, heavy weight, difficult *reclosure and disposal. It is used in the form of cans.*

Laminates

Laminations are made for following reasons: To further strengthen the film material; to improve barrier properties; to improve grease-resistance; to provide a surface that will heat-seal; etc. Some typical laminates are paper polythene, cellophane-polythene, and polyester-polythene.

B)Forms

Bottle

The glass bottle still continues to be the most frequently used package for milk in the world. Rigid plastic bottles are in use for packaging milk and liquid milk products.

Cartons

Cartons play a significant role in the bulk packaging of milk. Cartons are commonly used for liquid, frozen and coagulated milk products. They are commonly available either as performed containers or as precut blanks ready to be formed into containers. Fibreboard cartons with overwrap of foil or inner lining of foil laminated to paper are used for dry milk powder packaging.

Cup

It is made up of paper with wax or plastic coating on the inside. It is used for *frozen and coagulated products, like ice-creams. Also plastic/ plastic coated cups are used for packaging of curd.*

Sachet/pouch

The bags may be formed from either a reeled or flat film. Generally it is a form/seal system. Ultra-violet light may be used to sterilize the film. Dry milk products like dry whey, cream powder, cheese powder, ice-cream powder, khoa powder, shrikhand powder etc. are packed in conventional bags with polythene liners. Plastic film bags/pouches, laminated pouches are used for packaging chhana.

Can

This is a commonly used for all types of solid, semi-solid and powdered products. Recently aluminium cans have been introduced. Cans are the most convenient for gas packing. Tin cans are used for packaging the cream, butter, butter oil etc. For retail market fillers like cans are used to package condensed milk.

Barrel

Commonly made of wood and coated with wax on inner surface. Used for bulk packaging of sweetened condensed milk, semi-solid buttermilk etc.

Collapsible tube

It is made up of aluminum and lacquered on the inner side. Its merits are low cost, light weightness, ease of handling, product protection etc. It is used for semi-fluid products such as sweetened condensed milk, processed cheese spread etc.

Section IV

Crafts are an integral part in the life of an Indian, despite the rapid social and technological changes that are taking place. In India like many other developing countries it is the main source of employment for a vast majority of the population, next to agriculture. The value of exports has shot up ten times in the last ten years from Rs 700 crore in 1991 to more than Rs 8,000 crore in 2002. What's more, *Indian handicrafts are now showcased in the chic lifestyle stores of Europe and the US such as Terance Conran, Hermitage, Pottery Barn, Manuel Canova and Pier I.*

The government has worked out a long term strategy for increasing India's share in the global handicraft export market. This includes introduction of specialized export marketing programmes, design development, technical upgradation of the sector, revival of languishing crafts and creating an atmosphere conducive to exports.



The following section deals with “Export Promotion Strategies and Processes to promote rural products”.

Export marketing strategies¹

In the handicraft trade, it would be reasonable to say that marketing issues and strategies have generally been overlooked. While the handicraft market is expanding continuously, intense competition among an increasing number of developing countries suggests that marketing superiority can create real advantages in the trade. The importance of marketing efforts at the national or industry level was highlighted in Chapter 4. Discussion in this chapter focuses on marketing strategies for the individual handicraft enterprise, be it a producer, intermediary or exporter.

Nature and Importance of marketing

Marketing encompasses all activities leading to and including mutually beneficial exchanges between buyers and sellers. As markets become more complex and more competitive, marketing activities such as product planning, packaging and physical distribution assume greater importance. Enterprises excelling in these activities have an edge over their competitors, provided the business functions of production; financing and management are performed satisfactory. On intensely competitive markets, efficient marketing activities are indispensable.

In international trade, marketing performs the additional function of bridging the physical and cultural gap between producer and consumer. This function is particularly critical to the handicraft enterprise. The professionalism with which it carries out the marketing activities of obtaining and assessing customer feedback and adapting production, packaging and physical distribution to customer requirements will determine its competitiveness on export markets.

How customers view handicrafts

Awareness of a customer's perception of handicrafts is a prerequisite for developing effective marketing strategies. The following statement can be offered as a customer-oriented definition: Handicrafts are artistic, creative expressions of a group of people with unique arts and skills who apply their talents to the production of material goods, which reflect their culture and heritage.

The definition implies, first, that probably the most important characteristics of handicrafts is their association with an individual artisan or a group of people possessing unique skills. This association distinguishes handicrafts from mass-produced products. Second, a handicraft item gains value in the customer's mind to extent that it symbolizes a culture or heritage.

In the marketing context, these are some of the characteristics to be highlighted among consumers. These products should not only display these unique characteristics, but they should also be marketed as expressions of particular

¹ International Trade Centre, Geneva, 1991

cultures. The promotional literature should convey the "story behind the handicraft" and emphasize its uniqueness.

Why handicrafts appeal to consumers

Handicrafts products are attractive to customers for two basic reasons. The first is their uniqueness, a characteristic discussed above. The second is their utility to the consumer in terms of meeting his/her needs or complementing his or her life-style.

Most handicraft items have both these characteristics, but to varying degrees. Figure 3 provides a graphic illustration of this idea. The more the handicraft item incorporates both characteristics, the more attractive it will be to consumers. By contrast, the less it has of these characteristics, the weaker its appeal to consumers. A handicraft product possessing neither characteristic to a significant degree may not have much export potential.

The above conceptualization should be helpful in developing marketing strategies for handicrafts. The decision on a product's marketing image should be based on an analysis of its strengths. This may reveal that the product falls in one of the four categories presented in Figure 3, Cell 1 for products that are weak on both counts, represents the worst position to be in. The product neither responds to any needs nor offers a distinctive or novelty feature. Many so-called "souvenir" items belong to this category.

Figure 3 Perceived appeal of handicrafts.

DOMINANT APPEAL

		Novelty	
		Weak	Strong
Utilitarian	Weak	1	2
	Strong	3	4

Enterprises seeking export markets will obtain hardly any return from such products. The only option open to them is to explore whether the products can be transformed into functional or novelty items.

Cell 4 represents the best situation to be in. The product is likely to make a strong impression on the consumer because it is both novel and utilitarian. Some examples of such products are wooden screens and printed silk scarves

from India, hand-knitted pillowcases from the Karen tribe in Northern Thailand, embroidered blouses from the Philippines and Turkish carpets. Here the marketing task is relatively simple essentially one of reminding the consumer of these special features.

Products falling into cell 2 are strong on the novelty aspect but weak from the point of view of utility. Examples are tribal facemasks, woodcarvings and polished rare stones. Creativity is required to refashion the product into one that will fit the prospective buyer's life-style. Cell 3 is the reverse of Cell 2. A strong utilitarian appeal is combined with a weak novelty appeal. Many leather goods from developing countries, place mats, coffee mugs and jute carpets belong to this category. Here, the marketing manager's task is to enhance the unique features of the handicraft and identify it with the artisans or with particular regions, skills, and life-styles. While its functional aspects alone should sell the product, better returns can be expected if its novel features are brought to the fore.

Creating a "product-plus" Image

One of the major challenges facing handicrafts exporters from developing countries is how to embellish a product's physical and symbolic features and thus to make it distinctive. A utility product that is different will often command premium prices.

In the jargon of the trade, the challenge is to project a "product-plus" image rather than that of a "me-too" product. "Me-too" products lack features that distinguish them from competing products. A product with a "product-plus" image is one that customers prefer over others and which they seek out. Making the product more attractive to the end-user as well as to importers and to others in the distribution chain can create this image. Improving the following features or aspects of a product will make it more attractive to consumers:

- Quality characteristics.
- Novelty and/or utility.
- Creativity of design;
- Packaging;
- Informational inserts, labels,
- Brand or trade-mark;
- Warranty;
- Harmony with a current trend or fashion.

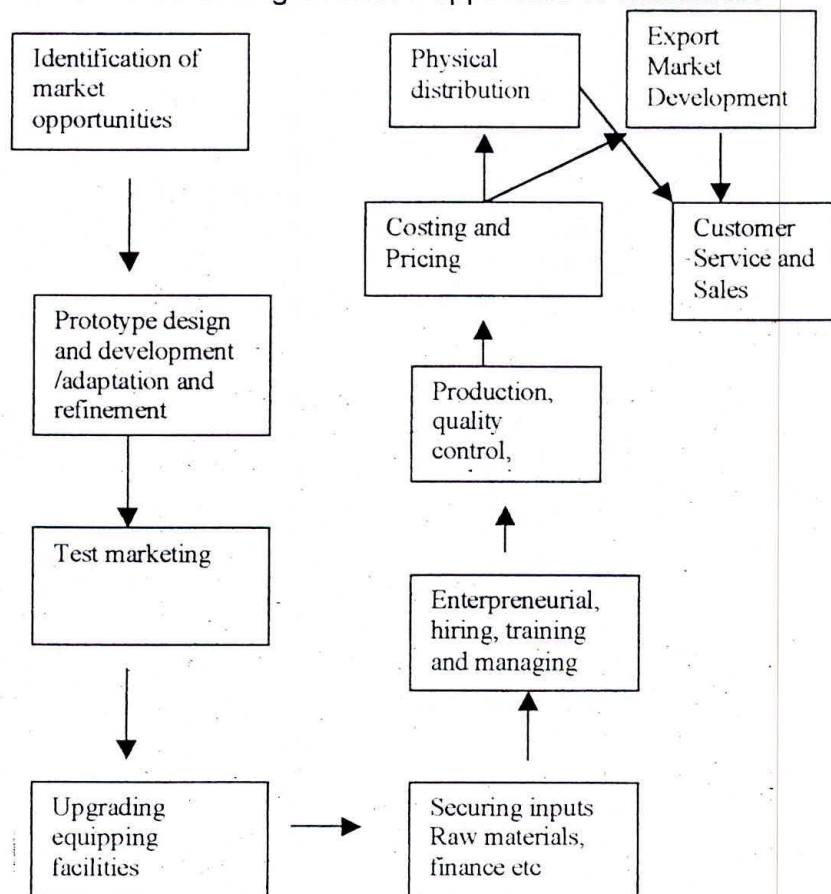
A product with a "product-plus" image is likely to avoid price competition. The consumer will buy it because of its distinctive features rather than because it is cheaper than similar products.

In addition, handicraft producers offering the following conditions of sale are more likely to do business with importers and other distributors than those who fail to do so:

- Consistent quality;
- Minimum handling requirements;
- Timely delivery;
- Provision of ready-to-use sales promotion materials;
- Consignment sales;
- Exclusivity, etc.

Appreciating the value-adding chain

Figure 4 presents the chain of value-adding activities applicable to handicraft and cottage industries.



The sequence of value-adding activities begins with the identification of marketing opportunities and ends with the provision of after-sales services to the customer. In between is a complex set of entrepreneurial, managerial, and technical functions. A business gains competitive advantage to the extent that it can perform this chain of functions smoothly and competently. All functions must be performed; no omissions are possible.

While a vertically integrated business enterprise in an industrialized country can perform most of these functions independently, this is not possible in the handicraft and cottage industry sector in developing countries. This is precisely why partnership arrangements are proposed in this book. Under such arrangements, responsibilities are shared among four principal partners: the artisans, intermediaries, exporters and government agencies. Each party brings its unique strengths to the partnership, creating synergy. For example, the artisans and master craftsmen facilitate product adaptation. The intermediaries gather the required inputs. The exporters handle packaging arrangements. Handicraft agencies promote the establishment of common facility centres.

When a handicraft sector is in the process of being established, in the sense that harmonious working relationships are being formed among the four partners, a leader may be required. The role of the leader would be to convince all parties that partnership is mutually beneficial and thereby to encourage them to co-ordinate their operations. The leadership may be assumed by one of the stronger partners. This may be the handicraft agency, an export house or a trade association. Once the alliance has been set up and is operational, mutual economic interests of the partners will hold it together. The need for leadership should then decrease over time.

Developing links at home and abroad

The world market for handicraft and cottage industry products is becoming increasingly competitive. Today, more than a handful of developing countries are attempting to market their goods in Western Europe, North America, Japan and other areas. One of the keys to success on this intensely competitive international market is the development of global links with buyers, intermediaries and facilitating agencies. Strong ties to customer groups, merchandisers, fashion houses, and other strategic partners can be the greatest asset of handicraft exporters. There is thus a need for forming strategic alliances with overseas partners. The links with foreign partners may be formal or informal, and may cover marketing and financial or technical collaboration. Links with foreign partners evolve and mature overtime. Therefore, efforts to identify foreign collaborators and forge a relationship with them should be seen as investments that will pay off in the long term. Figure 5 lists various bodies at home and abroad with which handicrafts agencies may want to establish links.

International partners (outer circle) should include the International Trade Centre UNCTAD/GATT. With its technical assistance, and information and other services. ITC can be a valuable partner in promoting handicraft exports. It can also help disseminate among developing countries lessons gained from experience in other developing countries.

Conclusion

There are a number of encouraging developments on the international market for handicrafts and cottage-industry products. First, consumers in industrialized markets have developed an appreciation for handicrafts from developing countries. Second, novelty seeking is widespread. Third, the western consumer has a larger discretionary income at his disposal. Fourth, global purchasing is on the rise; retail chains in major importing countries are constantly and aggressively looking for suitable products and reliable suppliers. It is therefore opportune for handicraft enterprises in developing countries to embark upon or to intensify international marketing activities.

Nevertheless, challenges remain. Perhaps the most critical is the development of a systematic and professional approach to export marketing. The marketing concepts and strategies discussed in this chapter, as well as the overall scheme for developing the handicraft sector elaborated earlier, are relevant in this context. In addition, handicraft exporters must be reminded that markets for handicraft products must be created and maintained. There is also a need to define "handicrafts" in broader terms, emphasizing the utilitarian aspects of these goods. Hence, handicrafts can be described or projected as 'wall hangings', "floor coverings", "living-room accessories", "fashion items" and so on. It is also important to portray handicrafts as artistic expressions of a particular culture and heritage.

Export packaging¹

Packaging is increasingly important to the success of the export trade in handicrafts. It is also an aspect on which small and medium-sized enterprises require assistance. This chapter offers some guidelines on the subject.

General Observations

The following observations can be made regarding SMEs² and the packaging of handicrafts:

- Many SMEs are unable to assess, understand and comply with the packaging, marketing and distribution requirements of highly sophisticated export markets.
- Many SMEs are unfamiliar with the basics of packaging technology and promotion.
- Many of these enterprises are unable to afford even the simplest equipment and tools for packaging.
- SMEs are unable to obtain packaging materials at competitive prices because of the small quantities they require.

It is important to keep in mind that packaging frequently affects the importer's perception of the overall quality of goods from a particular country. The "country-of-origin" image is often a factor in the purchase decision, and country-of-origin bias may prevail for long periods.

Unless handicrafts meet stringent quality and packaging requirements, serious damage can be done to the producing country's image, especially when simultaneous efforts are being made to introduce manufactured industrial products into the world market. Expensive measures over a long period might be required to improve the image a country has established as a producer of primitive or low-quality goods. The transformation of the image of Japan as a supplier of industrial goods after the Second World War is a good -and successful- example of this. Hong Kong, the Republic of Korea and Singapore are in various stages of this process of transformation. Quality packaging obviously plays an important role in this context.

The packaging of goods from developing countries often falls short of requirements on the highly competitive markets in the industrialized world. This is true from both a purely technical point of view (protection provided,

¹International Trade Centre, UNCTAD/GATT, Geneva

²Small Manufacturing Enterprises

structural design) and from a promotional point of view (graphics, sales appeal). The current quality levels of packaging vary widely from one developing country to another, depending mainly on their stage of industrialization. To a certain extent it is easy to adapt the supply of packaging materials to quality requirements on domestic markets. However, packaging requirements for export are more stringent.

Goods destined for other developing countries must be able to withstand the stresses of being transported over longer distances, often under difficult conditions. Packaging requirements on sophisticated industrialized markets are much higher. A product may be of excellent quality but unless it is at least adequately packed, it will never obtain consumer acceptance.

People concerned with package planning are often unable to assess the difference in packaging requirements for products for the domestic market and those destined for export. This weakness can usually be attributed to inexperience and unfamiliarity with the needs and requirements of their customers abroad. It is therefore very important to convince all those involved- government officials, trade promotion organizations and exporters- of the need for technically adequate and sales effective export packaging.

Trends in export packaging and consequent requirements

There seems to be a growing demand, particularly from new importers, for conducting the export trade in handicrafts on CIF rather than FOB terms. Switching to CIF pricing will automatically force exporters to pay more attention to shipping volumes and weights. This will give them an opportunity to improve their packaging and therefore their competitive position on world markets.

Container shipments and other types of unit loads are becoming more popular for sea (and air) transport. Handicraft exporters must familiarize themselves with the advantages and limitations of these new handling methods and adapt their export packaging accordingly. For instance, container transport offers exporters opportunities for pooling consignments destined for one importer into full container loads, reducing transport and packaging costs. In order to take maximum economic advantage of this and other possibilities from the start, it will be necessary for the exporter to have two different types of export packaging until break-bulk cargo and the heavier and more expensive packages it requires can be completely abandoned in favour of fully containerized transport.

Packaging technology, materials handling and distribution systems are becoming more mechanized and complex. Handicrafts producers will therefore need to have current information on packaging requirements and

to keep themselves up to date on these requirements. Indigenous packaging materials might well find practical applications in the export trade in the future, but exporters need to be aware of environmental issues, which are a growing concern in many industrialized societies.

Pre-packing for the convenience of both retailers and final consumers is a requirement for many exports markets. It is true that many handicrafts do not lend themselves easily to pre-packing. However, even those that do are often so poorly presented that this completely obscures the quality of the handicraft items themselves, which may be excellent. It is important to mention in this context that handicraft products sold as gift items compete not only among themselves for the consumer's attention but also with manufactured products presented in sophisticated promotional gift packages. To ensure sales, many importers therefore carry out the pre-packing operation themselves despite labour rates that may be 30 to 40 times higher than they are in producing countries.

There is also a need to convey more information about the origin of the products, their traditional or ethnic background, how they are produced, etc. In most instances, utilizing the communication potential of the consumer package can convey these messages to the consumer efficiently and economically.

Many of the above market trends and requirements tend to increase packaging costs. In most instances, however, raising prices can offset these additional costs. The rise will be justified by the fact that the handicrafts will be easier to handle and display and will be more attractive to the final consumer. In any case the accelerating tendency for non-food items to appear on supermarket shelves and for department stores to switch to self-service operations will force producers of handicrafts and other cottage-industry products to go into quality packaging to survive on world markets.

Table 1
Classification Of Handicrafts By Raw Material And Guidelines For Packaging

Classification	Examples	Preparation of product for packaging	Factors/requirements to be considered in packaging.
Textiles	Linen, table-cloths, embroidery, printed cotton, carpets, dolls	Drying Removing dust.	Protection from mould & insect damage. Protection from discolouration by light. Protection from dust. Transparency.
Wood	Carvings, tables, tableware, screens (some products are painted)	Cleaning, Drying.	Protection from scratching. Protection from moisture, microbes & insects Preservation of aroma. Cushioning of delicate products against compression & damage. Protection from discolouration by light.
Lacquer ware	Tableware, decorative items	Cleaning	Requirements similar to those for wood. Protection of surface lustre.
Stoneware	Marble items, etc decorative items	Cleaning	Stone articles are often fragile & heavy. Some are very expensive because of their artistic value.
Jade, ivory and bone	Carvings, personal ornaments	Cleaning	Fragile and very expensive.
Imitation ornaments and jewellery	Personal ornaments, gems	Removing dust and fingerprints	Require presentation packaging for sales promotion as well as transport packaging to protect fragile contents. Protection against pilferage.
Metal	Bronze sculpture, silverware, pewter products, decorative items	Removing dust and fingerprints.	Protection from tamishing and corrosion (air, moisture and salt water) for some products. Protection from pressure causing distortion.
Glass	Flower vases, decorative items.	Cleaning. Drying.	Fragile. Impact between articles is as damaging as impact from outside.
Straw	Baskets, fans, decorative items etc	Cleaning. Drying.	Soft, easily squashed. Protection from moisture.
Leather	Handbags, decorative items	Cleaning Drying	Regulation of in-pack moisture levels to keep products flexible.
Paper	Lamp covers, fans	Cleaning. Drying	Soft, easily squashed. Need protection from light and water.
Shells	Dishes, decorative items	Cleaning.	Fragile and heavy. Compartments needed within pack.

Guidelines for export packaging

In general, handicrafts can be classified into 12 subgroups on the basis of their raw materials (see Table 1). Handicrafts can also be divided into two groups according to their principal packaging requirements (Table 2).

Table 2
Classification Of Handicrafts According To Their Need For Moisture Protection

Handicrafts requiring moisture-proof packaging and in some cases, physical protection	Handicrafts requiring packaging for physical protection only.
Metal products Textile products Leather products Wooden products Paper products Glass products	Ceramics Lacquer ware Shell products Stone products

Finally, handicrafts can be classified by their size, weight and physical strength. This classification is helpful in deciding the sequence and type of packaging required. Handicrafts should be correctly prepared for packaging. Hygroscopic handicrafts made of wood or textiles should be dried. Fingerprints on the surface of metal handicrafts should be cleaned off since they hasten rusting and reduce product value. Suitable preparation increases both packaging efficiency and the commercial value of handicrafts.

Depending on the nature of the product being packed, a decision must first be taken as to whether water/moisture-proof packaging is needed. Items should then be categorized according to their dimensions (e.g., one dimensions = 10 cm, under 10 cm, over 10 cm); weight; and physical strength (e.g., rigid, fragile, and delicate). The classification based on physical strength is useful for determining cushioning needs (Table 3)

It is recommended that the traditional patterns/ designs of the country be used on packages whenever possible. Explanations of the origins and peculiarities of the handicrafts should be given, together with an illustration. In general, two-colour printing should be used.

The following information should be indicated on the packaging.

- Name of the product;
- Identity of the manufacturer/ distributor
- Country of origin.

The structure and the surface design of retail packaging should suit marketing conditions in the importing country. As the saying goes, "packaging is a silent salesman": the package itself has an important function to perform. Valuable handicrafts are products sold at high prices because of their nature or because of their scarcity. Some require packaging for safety, others can be sold unpacked. In India, highly priced carpets are packed in six to eight layers of packaging, though packaging costs do not go beyond 1% of the price of the product. Whatever the packing methods used, high-performance/ high-cost packaging of valuable handicrafts is justified when protection is essential. In view of the generally poor quality of paperboard materials in developing countries, the use of wooden boxes is normally required for heavy handicrafts including large-sized ceramics, bronze products and wooden sculptures.

Table 3
Classification For Cushioning

Category	Properties	Examples
Rigid handicrafts	Physically robust and strong	Wooden & metal products with simple configuration
Fragile handicrafts	Easily broken or cracked by slight shocks	Glass, ceramics, brittle plastics.
Delicate, high value	Commercial value affected even by slight damage	Tin metal products, delicate sculptures, items with much ornamentation.

Note: Flexible products such as textile and leather handicrafts can be classified as rigid items since they do not need cushioning.

Bulk packaging is used for handicrafts, which are too small to justify unit packaging. The use of separators is recommended when necessary to protect the products.

Arrangements for export packaging

The above discussion implies that owing to its costs and its technical aspects, packaging for export is beyond the capabilities of most artisans and intermediaries. This suggests that initiatives for improving export packaging must originate from export houses, perhaps in collaboration with the government agency responsible for the development of the handicraft sector. The partnership between the public and private sector is also valid here. Where enterprises are unable to cope on their own with packaging requirements, a common packaging assistance centre should be established. Export houses and the handicrafts agency should play a major role here. However, the government should provide the initial investment. The packaging assistance centre should keep abreast of current packaging techniques; gather information on buyers requirements; engage in joint bulk purchasing of packaging materials; encourage the joint

use of basic packaging equipment; standardize packaging specifications; consolidate shipments; and centralize the provision of assistance in export procedures.

The centre can delegate some of its functions to a central packing station, which could offer the following services:

- Provide centralized packing and container-loading services;
- Provide joint purchasing services for packaging materials;
- Standardize box and crate sizes;
- Develop indigenous packing materials for cushioning;
- Advise exporters who prefer to carry out the packing operations themselves;
- Provide machinery and other equipment for co-operative use such as packing tables; shrink, stretch, skin and blister packing equipments; corrugated box-making equipments; heat sealers for plastic films; and marking and labeling equipment
- Provide advice and services on package construction and on the graphic design of both transport and consumer packages
- Assist exporters on export documentation, insurance, estimation of CIF and FOB costs, and customs procedure.
- Assist exporters in negotiating freight rates, securing shipping space, consolidating shipments and loading containers.
- Provide visiting handicraft buyers with facilities for consolidated container shipments.

To enable the industry to benefit fully from the establishment of common packaging facilities, it will be necessary to standardize. For instance, bottles and jar caps used for many of the specially food products manufactured in cottage industries should be bought jointly to save costs. Since the initial costs of making glass bottles and jars in special sizes and shapes are extremely high, only stock items provided by glass producers should be used and efforts to achieve individuality should be concentrated on label design. This also applies to other packaging materials particularly when deviations from stock specifications would raise costs.

Generally speaking, buyers of packaging materials should be familiar with basic purchasing techniques to enable them to carry out meaningful discussions with their suppliers and reduce packaging costs. For instance, they should know that increasing quantities ordered would normally reduce unit prices and that changing their packaging specifications to suit their suppliers' machinery and raw material sizes would likewise reduce

IDENTIFICATION OF EXPORT MARKET¹

It is observed that most of the new entrants into the exports always look for known and conventional markets like Dubai, USA, etc., to market their products. It is this factor, which restricts exports or causes failure of a new export venture.

What is not realized by most of the new exporters is that there are many markets in the world, which are less competitive, easily accessible and rewarding. A new exporter while identifying markets must consider following factors. It will surely work as blue print for success.

1. Market Segments:

The world market can be divided into following segments:

- a) Countries economically advanced and technologically backward.**
- b) Countries economically backward and technologically advanced.**
- c) Countries economically advanced and technologically advanced.**
- d) Countries economically backward and technologically backward.**

You will appreciate that the product, which can be marketed in each of the above, referred segments, differ. For instance, USA and Europe are markets for industrial intermediates, low-tech products and raw materials. While USA is market for bulk drugs, Russia is a market for formulations. Dubai is not a market for raw materials and industrial intermediates, since there are hardly any industries to use the same. There is definitely a synergy between product and the market segment.

2. Regulations:

The scope of entry in many markets is restricted because of local regulations. Many under developed and developing countries though appear lucrative markets, may not be so, due to Exchange Control Regulations or restrictive policies. There may be product specific restrictions, too, in a particular country. For instance, many countries do not permit import of product manufactured in jail.

3. Location:

When identifying the country or market, due consideration must be given to the geographical location of the country. If Dubai or Middle East market is preferred by the Indian Exporters, it is due to its locations. Latin American countries, in spite of being good markets, are not preferred, again due to their location.

¹ Information compiled by S.M. Chaturvedi., Management Consultant, Mumbai

4. Accessibility:

This factor must be analyzed and understood in conjunction with location. There may be many markets, which though are conveniently located, are not easily accessible. For instance, Pakistan, Myanmar (Burma) and China, though are very conveniently located are not preferred destinations of Indian exporters.

5. Preferential Treatment:

Indian exporters should prefer those countries where goods imported from India enjoy concessional rate of import duty. This reduces the landed cost of Indian products into those countries. This factor confers natural price advantage to an exporter from India. The list of such goods is finalized between the Government of India and such other countries from time to time. For instance, there is a list of over 4000 products, which do not attract an import duty in Sri Lanka. Likewise, all 54 Common Wealth Countries (CWC), accord preferential treatment to the goods imported from other CWCs.

6. Cultural aspect:

This is an important part of buying behaviours in the target market and country. It may relate to the preference for particular shades and colours, sizes and shapes, etc. For instance, children's garments exported to Middle East and Arab countries have to be different colours and shades as compared to those proposed to be exported to Europe and Australia.

7. Logistics:

This may relate to facilities such as Banking, Insurance, Shipping, Transportation and Communication. Near absence of banking channel in Russia and Myanmar (Burma), is an inhabiting factor for Indian Exporters. Likewise, poor communication and shipping facilities to countries like Brazil and Argentina are also the factors restricting trade between India and these countries.

8. Incidental factors:

As an exporter one must be able to identify and capitalize on these factors. These may include political, economical factors, etc. For instance, restoration of peace in Afghanistan and lifting of embargo on Iraq by UNO may open vast markets for Indian exporters. Signing of bilateral trade agreements between India and China, India and Vietnam are other examples in this regard.

To conclude, we must realize that perhaps Syria, Lebanon, Turkey, Cyprus are as lucrative markets as South Africa, Dubai and Europe. The prospects of success are better in an unconventional and less competitive market.

TIPS IN SELECTING MARKETS ABROAD

Generally, new entrants into export business prefer for conventional markets like Middle East, Europe, USA, etc. Since, these are highly competitive and saturated markets, for desired results, it is preferable to look for other promising markets, as well.

Following are some of the factors, which a budding exporter may keep in mind, while selecting overseas market:

1. *Ensure that your export business is going to be profitable:*

It goes without saying that once you make up your mind to enter export business, *the same has to be viewed as profitable venture*. Quite often, people tend to experiment with export business with thoughts like, 'I can afford it', or 'let me try my hands at exports, at most, I will not succeed', etc. Such halfhearted approach results into disillusionment. Most of the corporates diversify into exports and give it up, as well, because this activity is treated as 'Cost Center' and not 'Profit Center'

2. *Initially, approach one or two markets :*

The reasons are not difficult to fathom. In the beginning there are resource constraints and organizational constraints, which prevent you from spreading out to many countries, simultaneously. Be focused on one or two target markets and then branch out into other markets.

3. *As part of your marketing strategy, pay due attention to smaller, less competitive and lesser known markets:*

These markets can be developed at much lower cost and will ensure your stay for longer period. For e.g. Turkey may be preferred over South Africa; Morocco may be preferred over Egypt and so on.

4. *Plan your strategy and identification of markets based on knowledge about the countries and not merely on information :*

This will necessitate your sparing some time and money on overseas visits. Such visits when undertaken make you familiar with difficulties, which earlier you thought of to be "problems".

5. ***Do not over commit your self in accepting the orders :***

There is no point in running for foreign business which cannot be catered to or where your quality of services is going to be compromised.

6. ***Avoid markets which practice restrictive policies :***

There are many countries where still there are restriction on imports and remittances and have high tariffs. Entry into such markets is difficult and results are uncertain. Avoid such countries, as far as possible.

7. ***Evolve a good organization which is responsive to the demands of international business:***

The reasons for failure of most of the reputed local Indian companies in international markets are mainly due to their failure on this count. Most of the Indian exporters extend local business culture overseas and fail.

8. ***Be innovative:***

Try to identify the customer needs abroad and develop products accordingly. It is aptly said that, "**Find a need and fulfill it – This will ensure success.**" The success of Japan in exports can be attributed mainly to their innovativeness and understanding of customer needs.

Based on the above parameters the countries worth considering are Vietnam, Morroco, Turkey, Cyprus, Cyria, Jordan, Sri Lanka, Portugal, Spain, Bahrain, Lebanon, Ethopia, Brazil, Ghana, etc.

SOURCES OF MARKET INFORMATION :

In the process of identification of export product and market, a new entrant to export as well as established exporters, need continuos information on overseas market. To establish and succeed in international trade one needs information on areas like countries, their culture, logistics, local regulations, main items of export and import, currency, people's tastes and habits, buying behaviour, climate, etc. The information so collected helps an exporter in formulation and implementation of his business strategies and plans.

The aforesaid information is not easily available. One needs to have information on sources of information and an eye for details. Some major sources of information are as under:

1. Government Sources:

Though it may come as a surprise to many, maximum information and reliable data is available from Government sources. It is suggested that an exporter must continuously update himself, by subscribing to and reading on regular basis, a publication titled, "**Indian Export Bulletin**." This magazine is published by **Indian Trade Promotion Organization (ITPO)**. It is a fortnightly publication containing vital information about countries, overseas rules and regulations, delegation visits, exhibition, trade fairs and exhibitions, etc.

The second most important publication is, "Country Profiles", published by the "Department of Scientific and Industrial Research", based at Delhi. This publication is economically priced and contains vital information on each country. One can buy the "Country Profile" of the country to which one plans to export his product to. These country profiles give the reader a complete insight into every aspect relating to that country.

Another vital sources of information are Indian Embassies and Consulates abroad. Many of these are well equipped in terms of information relating to the country where they are based. While commercial consideration and outlook is found missing with most of the overseas Indian missions, there are quite a few missions, which are quite alert to exporter's requirements. Nonetheless it is the *cheapest and reliable source of information*. One can also source information from overseas Trade mission/ Embassies operating from cities like Hyderabad, Bangalore and Ahmedabad.

Primary Research:

This comprises personal visits, trade fairs and trade missions, survey and product studies, etc. While personal visits are indeed the most reliable source of information, they are prohibitive in terms of cost. Moreover, unplanned visits yield desired results. There is also limitation in terms of the countries to which one can make a visit due to constraints in terms of finance or time. This source is more effective for exporters who are already into business rather than new comers.

From time to time, announcements are made by various magazine and bulletins regarding trade fairs and exhibitions. Many of these are products specific. While participation, in such trade fairs and exhibitions is an expensive proposition, in terms of usefulness, these events deserve highest attention from exporters. New comers of participate indirectly through their Trade Associations, Chambers of Commerce and Export Promotion Councils. These bodies take product catalogues and trade samples at very nominal cost from their member and pass on the enquiries generated from such events to the concerned members.

Survey and product studies are published as research articles in financial dailies, business magazines and other trade bulletins. Interested exporters must keep compiling such information as and when they come across it. For instance, World Trade Centre at Bombay has published very exhaustive study on **"Egypt"**. The compilation could be of use to all those exporters who are looking at Egypt as their prospective market.

2. Private Sources:

These include general references publication, Trade and Business Association, Trade Journals, personal contacts. A special mention may be made to the exemplary efforts made by the organizations like **Indian Merchants Chambers (IMC)**. The chamber's **"Weekly Bulletin"** contains particular of overseas buyers, who approach the chamber for sourcing their requirement from India. In a year, one can easily compile 400 to 500 names and addresses of prospective buyers for different commodities from different countries.

In addition, the chamber organizes meetings with overseas trade delegations visiting Mumbai. On an average, over 150 such meetings are held in a year. The participants to such meetings get an opportunity to interact with the members of delegations. Such interactions ultimately pave way for business deals. Attending such events must be practice with exporters, both new as well as established.

Likewise, journals and bulletins published by various Export Promotion Councils, Chambers of Commerce and Trade Association provide vital information for exporters.

EXPORT PRICING :

There is a fundamental difference in pricing a product for local market and that for international market. For local market purpose, price is determined by taking into account all direct and indirect overheads such as raw materials, labour, power and fuel, salaries and wages plus all elements of Indirect taxes such as Central Excise, Sales tax, Octroi etc. Further to these components of cost, elements like distribution commission, profit, etc are added. Sum total so arrived at represents maximum retail price. Since, all manufacturers follow similar practice to arrive at the cost, prices in domestic market, more or less tend to be similar.

In international market, the prices are buyer driven. The seller has very little say, in the matter. The buyer having determined the price, the seller has to match his cost to the price; the buyer is prepared to offer.

While arriving at an export price, the exporter must begin with a very simple equation, viz. "**Cost + Profit = Price**". While devising the pricing strategy, the exporters must consider the following factors:

❖ **Status of the exporter.**

Under this, exporters are divided into categories namely, 'Beginners', 'Established', and 'Veteran'. The approach to pricing differs in all the 3 cases. A beginner in his anxiety to get the export order generally compromises on profit, which an established exporter doesn't.

❖ **Nature of export product :**

In those products, where exporter sells a monopolistic product, he can get away by charging a price he wants. For instance, an exporter of Alphonso mango or handicraft gets his price, which an exporter of ready-made garments does not.

❖ **Export incentives:**

An exporter to device has pricing strategies needs knowledge on pre-export and post export incentives. These comprise of incentives like Advance License, Packing Credit, Duty Drawback, Refund of Terminal Excise, etc. The exporter has to learn the art of applying his knowledge of pre-export and post-export incentives to computation of export price.

❖ **Country of exports:**

The countries, which are highly developed, represent competitive markets. For instance, Japan and USA, though prosperous economies do not offer remunerative prices to exporters. In contrast, countries like Kenya and Bangladesh, though undertake into consideration, the country to which, he is exporting or is likely to export. An export order to Japan on cost-to-cost basis is worth entertaining, since; it is an indirect certification of quality of export product. Such reference inspires immediate confidence in the minds of buyers from other countries who are prepared to pay a higher price for a quality product.

❖ **Terms of Contract.**

FOB (Free on Board) prices are generally lower than C&F (Cost and Freight) and CIF (Cost, Insurance and Freight) prices. Thus, an exporter has to work out 3 sets of prices depending on terms of contract i.e., FOB/C&F/CIF.

❖ **Currency.**

The currency in which exporter is to realize his export proceeds, too, influences pricing decision. The advantage arising out of fluctuations in exchange rate

either accrue to the overseas buyer or to exporter. Such advantage when accrued to an exporter, help him in lowering his price to a competitive level. An exporter must also have good knowledge on different international currencies, their exchange rates and currency blocks like Asian Clearing Union (ACU).

Taking into consideration the above factors an exporter must work out his prices; generally, it is preferable that the export prices are "**Country Specific**". Reasons being different countries levy different types of import duties and at different rates. The overseas buyer takes decision to import based on landed cost of imported product. The landed cost comprises of CIF value plus import duties. For instance, due to preferential treatment accorded to select Indian goods in Sri Lanka, an exporter to Sri Lanka will be more favorably placed than say in Pakistan or Bangladesh, where such duty preference is not available.

Likewise, an exporter must have separate set of prices for those countries where antidumping duties are imposed on goods imported from India.

Thus having devised a country wise export price the exporter will find himself comfortably placed in each of the markets he is tapping. A well-thought and scientifically evolved export price helps an exporter in competing even among fiercely competitive markets. Therefore, due attention must be paid by all exporters in mastering the art of export pricing based on all factors enumerated above.

Steps in Exporting

Most of you are budding entrepreneurs and have the dream of exporting your product/s. It is good to be ambitious, to have a long-term goal of going beyond the national boundaries. Besides, globalisation of the economy means that as an entrepreneur of the 21st century, you think global and do not be a "frog in the well".

But just thinking about exports will not suffice. You have to know the export environment and procedures of not only India but also of the country or countries to which you want to export your products or services. You should possess knowledge of not merely the needs and wants of people of that country, but also their culture and customs.

First, of course, familiarity with India's own:

1. Export Environment
2. Export Procedures
3. Export Documentation

is necessary; and in this chapter, we give you basic idea about these.

The Foreign Trade (Development and Regulation) Act, 1992 defines export as taking out of India any goods by land, sea or air. It means taking out of India any goods to a place outside India.

This definition does not specify as to what form of goods. Hence, it includes re-export of imported goods in any form or condition.

There are two categories of export:

(i) OUTRIGHT (SALE) EXPORTS:

Normally, most of the exports are made on outright sale basis against a firm price and no return of the unsold goods is made.

(ii) CONSIGNMENT EXPORTS:

Here the importer abroad is at liberty to return the unsold goods, although exports may or may not be against firm price.

Exports can be of goods, projects or even services. Project exports include turnkey projects and civil construction contracts abroad.

Services-consultancy/technical or other services are categorised as a separate class of exports.

EXPORT ENVIRONMENT

The liberalisation policy of the Government since July 1991 has created a most congenial atmosphere for export. Both export and import are almost free from being subject to negative lists. Many items, therefore, can be exported without licence.

Foreign Exchange For Export Promotion

The Foreign Exchange rules have been totally liberalised. The exchange is now available for business visits, participating in fairs and exhibitions, remittances and purchase of documents, etc. All exporters other than Export

Houses, are allowed to open an office overseas or have a representative abroad; the condition being that this would lead to the earning of additional foreign exchange.

Foreign Industrial & Technology Agreement

The Reserve Bank of India (RBI) is now empowered to grant approval for foreign investments upto 51% of foreign equity in high priority industries and trading companies primarily engaged in export activities. The RBI will also automatically approve foreign technology agreement involving payment upto one crore rupees.

Export Incentive Schemes

The system of export incentives or assistance like CCS (Cash Compensatory Support) or EXIM (Export Import) scrip licences have been abolished.

Procedural Simplification

Simple procedures both for exports and imports have been introduced. Regional licensing authorities have been empowered for the purpose. A number of documents have been standardized. The new documents are fewer. There is now only one application form for export licences.

New Markets

In tune with the new liberalisation policy, India has opened new markets by allowing trade with South Africa, entering into new agreements with the new CIS (Commonwealth of Independent States) countries i.e. former USSR members and also by resumption of rupee trade to a limited extent with the Russian Federation.

Strategy and Preparation for Export Marketing

When you decide to export, you must formulate an export strategy. This will tell you where you are going and how you should get there. You should also make an export marketing plan to implement the strategy. This should outline the operational actions, target dates and indicate detailed budgets for each step. Before making the plan, you should gather the basic data and analyse it. It should focus on your marketing objectives, market segment and positioning of your product.

You should also do an analysis of your strengths, weaknesses, opportunities and threats (SWOT). This would help in knowing your competitive advantages as well as prospects for sales and profitability.

Market Segmentation

It is important that you decide to whom you want to sell your product/s. Different consumer groups exist according to level of income, age, life style,

occupation and education. You have to identify the group, which you intend to reach.

Market Research

You, as a small-scale entrepreneur, cannot afford to collect data on export markets and export potential; so, you should use published data to assess the market, after evaluating it for reliability and accuracy.

Product Characteristics

Next, you should consider the product you want to export. Many products must undergo significant modifications if they are to satisfy customer and market requirements abroad. Some products require changes to increase their appeal in export markets.

Export Pricing

You should consider additional costs like international freight and insurance charges, product modification costs, import duties, commissions and foreign exchange risk coverage, which are not there for domestic market, while setting an export price.

Distribution Channel

You should also consider the distribution options like:

1. Exporting through a domestic exporting firm; or
2. Setting up own export organisation; or
3. Selling through representative abroad.

The choice will depend on your export strategy, resources and the export market.

A Working Document

Merely formulating a marketing plan will not help you. A working document should be constantly reviewed and revised as you acquire more experience, data and feedback from the export market.

PROCEDURES, FORMALITIES & DOCUMENTATION

Procedure for Registration with Export Promotion Councils (EPCs), Federation of Indian Export Organisations (FIEOs) etc. under Exim Policy

The new Export-Import Policy 1992-93 requires the necessity for obtaining a licence to export or import certain specified items. One has to thus obtain a Registration-Cum-Membership Certificate (RCMC) number for getting such export licence or avail of benefits/concessions under the policy. Such registration will, however, be given after the exporter/importer has become a member of an EPC. The registration as exporter will be of two kinds, namely ;

1. Manufacturer Exporter
2. Merchant Exporter

An exporter may obtain RCMC from any one of the EPCs relating to his main line of business. Hence, only one registration is required even if the exporter is engaged in exporting products falling in more than one group.

Obligations

The registered exporters are under certain obligations:

- 1 To furnish monthly returns of their exports
- 2 To abide by such other conditions including floor price condition and export obligation, if any
- 3 To avoid indulging in any fraudulent, unfair or corrupt practices/commit a breach of any law
- 4 To fulfill or utilise satisfactorily any quota allocated for export, etc.

Facilities and Benefits

The exporters are entitled to such facilities and benefits as may be provided under the export-import policy. They are also given a number of facilities to accelerate their effort by the Export Promotion Councils e.g. raw materials, spot disposal, trade information, foreign samples, trade promotion, brand publicity, export assistance, to be on trade delegations, study-cum-sales teams, attending seminars and conferences, consignment wise inspection etc.

Applications and Application Forms

Application for allotment of code number has to be made in "Form CNX" which includes a "Declaration for Exporters" code (RBI) number about the applicant's not being on caution list, undertaking about income tax, permanent account number/GI number for exporters (RBI) code number of associate firms RBI code number and Bank's Certificate to be sent with application for IEC number (Importer/Exporters Code)

Application for Registration with Export Promotion Councils has to be made in an approved format. There are separate formats required for registration with each different Export Promotion Council, and separate proformas of undertaking for registration.

So, only after completing all these formalities, you should venture in exports. It is required to take a token acceptance by the buyer, on the proforma invoice given by you and confirmation by you as an exporter, after:

- you have identified product/s and market;
- discussions with any buyer have materialised and reached to a point of confirmation of an order or receipt of an order form
- a request to you to send a Proforma Invoice to enable to buyer to open a letter of credit according to your terms and conditions receipt of the proforma invoice signed by the buyer only completes the formalities.

Pre-shipment Formalities

Export (quality control and inspection) Act was enacted by the government to ensure that the image of Indian made products in overseas market is not spoiled by any exporter by supply of sub-standard material. Certain items covered under compulsory quality control and pre-shipment scheme are not allowed to be exported without a certificate from the Export Inspection Agency by the custom and shipping formalities.

These formalities are more or less the same at all the major ports in the country but for some minor variations related to port trust rules and regulations.

A general idea about different stages of custom examination and procedural/documentation formalities to be observed for clearance of export cargo for loading on vessel and final shipment are as under :

"After the documents are passed by the customs department and necessary charges are paid, goods could be shipped and you should send 'Shipment Advice' in the prescribed Format to the importer."

Submission of Documents to Bank

For Purchase/Collection/Negotiation under L/C, you must after shipping the goods, hand over the relevant documents to your bank for onward despatch to the overseas correspondent bank, who will arrange payment of the same to your banker. No payment can be received by you directly except in cases of general permission granted by RBI.

Documents are handed over to the bank with a request either to negotiate the documents if they are drawn under the letter of credit or to purchase the documents where the bank has granted pre-shipment facility to you etc.

Documents Required

1. Bills of Exchange
2. Bills of Lading
3. Commercial Invoice
4. Original Letter of Credit, if any
5. Customs Invoice
6. Insurance Policy/Certificate
7. Packing List
8. Foreign Exchange Declaration Forms
9. Bank Certificate of Export Realisation
10. Other relevant documents

Export marketing is a highly specialised activity which requires organisational support at various stages, including selection of product/s, identification of overseas markets and customers, selling techniques and incentives, assistance and facilities granted against export.

There would also be a need for orientation of different policies concerned with export and import etc. The various organisations or institutions given in the

chart at the end of the chapter are mainly connected with foreign trade. These organisations are grouped together as follows :

1. Policy and Service Support Organisation
2. Commodity Specialisation Organisation
3. Training and Research Institutions
4. Trading/Service Corporations
5. Financial Institutions

1. Policy & Service Support Organisation

a) Ministry of Commerce

It has, with active co-operation of Ministry of External Affairs, created a network of commercial sections in Indian Embassies and High Commissions in various countries.

It has set up "Exporters Grievances Redressal Cell" to assist exporters in dealing with grievances affecting exports. The Ministry carries out its responsibilities and activities through advisory bodies, organisations, etc.

b) Ministry of Textiles

The Ministry of Textiles is primarily responsible for policy formulation, development, regulation and export promotion of the textile sector including sericulture, jute and handicrafts. It also has a separate export promotion advisory board. There are four advisory boards under the Ministry of Textiles :

- i) All India Handloom Board
- ii) All India Handicrafts Board
- iii) All India Powerloom Board
- iv) Wool Development Board

Besides, there are Development Commissioner-Handicrafts, Development Commissioner-Handlooms, All India Handloom Fabrics Marketing Co-operative Society, Textile Commissioner, Jute Commissioner, Development Council of Textile Industry, Jute Manufacturers' Development Council & Textile Committee.

2. Commodity Specialisation Institutions

The Government has established a number of organisations for improving production and promoting export of commodities and products which make a considerable contribution to our foreign exchange earnings. These specialised institutions are in most cases financed/controlled by Government.

These are :

- i) Export Promotion Councils (EPCs) - 19 EPCs at present
- ii) Commodity Boards (CBs)
- iii) Development Authorities
- iv) Miscellaneous Organisations

Federation of Indian Export Organisations (FIEOs), though not counted among the EPCs, has the same functions as any EPC.

EXPORT PROMOTION COUNCILS (EPCs)

The main activities of the EPCs are:

- a) registration of exporters and issue of registration-cum-membership certificate
- b) providing a forum and link between the government and their members for consideration and implementation of schemes for export production and marketing
- c) collection and dissemination of information primarily on export opportunities
- d) sponsoring and inviting business delegations, sales teams, study teams for developing exports
- e) arranging distribution of raw materials, marketing assistance or allocation of scarce items for exports production
- f) allocation of export quotas for items like textiles
- g) fixation of floor price (minimum export price)
- h) arranging buyer seller meets
- i) foreign publicity through schemes
- j) any other issue covering production and marketing of products under their purview

Commodity Boards

Commodity Boards are also to be regarded as an Export Promotion Council.

Development Authorities

There are two Development Authorities namely; a) Marine Products Export Development Authority and b) Agricultural Products Export Development Authority.

3. Training and Research Institutions

i) Indian Institute of Foreign Trade (IIFT)

IIFT, Delhi is the primary institution which gives training in export marketing techniques. It has several programmes including full time post graduate diploma in International Trade and a Master's Programme in International Business. It conducts a number of training programmes of short duration from 2-3 to 15-21 days for executives.

ii) Indian Institute of Packaging

IIP at Bombay organises programmes on packaging technology. It also provides technical advice on the problems of packaging faced by industry and trade as well as facilities for testing and evaluation of packages and packing material.

iii) National Institute of Fashion Technology (NIFT)

NIFT, New Delhi, works under the Ministry of Textiles for human resources development for the garment industry. It conducts professional programmes for Apparel Merchandising and Marketing, Fashion Design and Garment Manufacturing technology. It also provides consultancy services. Besides, there are other institutions for training relating to production or marketing, like Chamber of Commerce, S.I.S.Is, NIESBUD etc.

4. Trading/Service Corporations

A number of trading and service corporations are working both under Ministry of Commerce and Textiles dealing especially in exports/imports.

The State Trading Corporation Ltd. (STC) was primarily established to conduct foreign trade in an organised and collective basis with trading companies in Eastern Europe and the former USSR. Now, due to liberalisation of foreign trade and disintegration of the USSR and opening up of new CIS states etc, its functions have undergone as seachange. The STC in Delhi and several regional and foreign offices have a special scheme for business associates and exporters, to provide them with financial and marketing assistance to sell abroad. Some of the other corporations are ;

- i. Minerals and Metals Trading Corporation Ltd. (MMTC)
- ii. Mica Trading Corporation (MITCO)
- iii. Spices Trading Corporation Ltd.
- iv. Tea Trading Corporation of India Ltd.
- v. Project and Equipment Corporation of India Ltd.
- vi. Central Cottage Industries Corporation of India Ltd.
- vii. The Handicrafts and Handlooms Export Corporation of India Ltd.
- viii. National Textile Corporation (NTC)
- ix. Cotton Corporation of India (CCI)
- x. National Handloom Development Corporation and such others

5. Financial Institutions :

For providing credit and finance and justifying export credit risk, there are two primary institutions, Exim Bank and ECGC. Besides, these, other commercial banks and institutions like IFCI, ICICI, IDBI also provide finance for export and import.

(i) Reserve Bank of India

The RBI with its headquarters in Bombay and several regional offices is the apex and central bank to authorise, extend and regulate export credit and transactions. It has framed and administers several schemes for export promotion by providing relending facilities, and authorising other banks to extend credit.

All export activities start from registration with RBI, by obtaining Exporters Code Number.

(ii) Exim Bank

The Export and Import Bank of India is the Apex institution for project finance and provides direct finance and coordinates the working of institutions engaged in financing export/import of goods and services. It has headquarters in Bombay and several regional offices.

The Exim Bank's lending emphasis is on deferred export credit for medium and long terms. It extends suppliers' credit, overseas buyer credit, lines of credit and relending facilities to banks overseas.

The Bank is also an intermediary between an Indian exporter and the overseas forfeiting agency. Forfeiting is an export finance option for suppliers credit.

(iii) Export Credit Guarantee Corporation Ltd. (ECGC)

ECGC also has its head office in Bombay and several regional offices. It is the only institution which provides insurance cover to Indian exporters against the risk of non-realisation of export payments due to commercial and political risk involved in export on credit terms.

These are various other export promotion organisations especially for the small industries which directly contribute about one third of India's exports. These organisations are at the central as well as state level. The Development Commissioner, Small Scale Industries (DCSSI) at New Delhi and a network of SISIs (Small Industries Service Institutes) and extension centres located in almost all states provide export promotion services to SSI & Cottage Units.

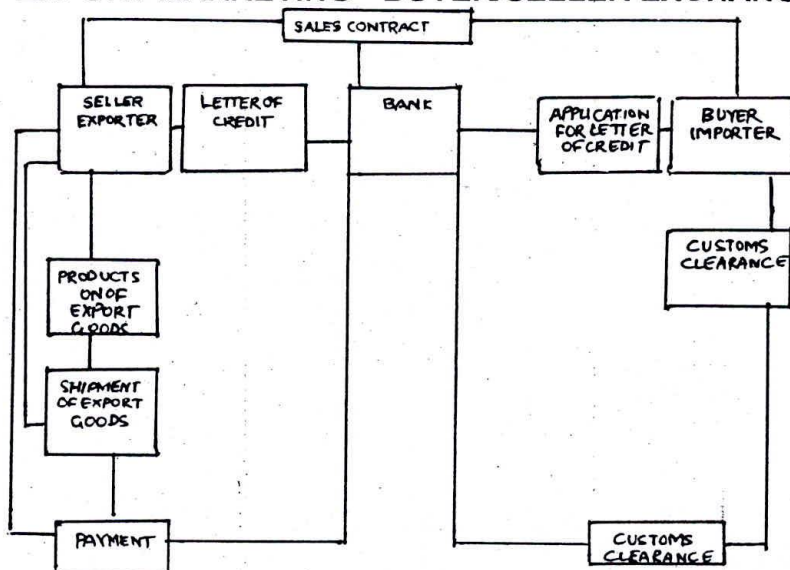
The others are Directorates of Industries, which are departments of State Governments, National Small Industries Corporation (NSIC) and exclusive export corporations in various states.

Export Processing Zones (EPZs)

The EPZs are set up to provide an internationally competitive duty free environment for export production at low cost. This enables the products of EPZs to be competitive, both quality-wise and price-wise in the international market. There are seven EPZs in India, at:

EPZ	State in which located
Kandla	Gujarat
Santacruz	Mumbai
Falta	West Bengal
Noida	U.P
Kochi	Kerala
Madras	Tamilnadu
Vishakapatnam	Andhra Pradesh

EXPORT MARKETING - BUYER/SELLER EXCHANGES



Export Promotion Councils

Apparel Export Promotion Council
NBC Tower, Bhikaji Cama Place
New Delhi – 110 066
Tel : 688830, Fax : 6888584

Basic Chemicals, Pharmaceuticals &
Cosmetics Export Promotion Council
Jhansi Castle, 4/F1
7, Cooperage Road, Mumbai
Tel : 2021288, Tlx : 011-4047
Fax : 2026684, Cable : 'CHEMEXCIL'

Carpet Export Promotion Council
110-A/1, Krishna Nagar Street No.5
Safdarjung Enclave
New Delhi – 110 029
Tel : 602742/ 60124
Fax : 601024

Cashew Export Promotion Council
in India, Chittor Road
Ernakulam South
Cochin – 682016
Tel : 316459, Tlx : 8856677
351973, Cable : 'PROMOTION'

Chemicals and Allied Products
Export Promotion Council
8, S. Bhagat Singh Marg
New Delhi – 110 001
Tel : 310 346

Engineering Export Promotion Council
World Trade Centre, 3/F1, 14/1-B
Ezra Street, Calcutta – 700 001
Tel : 263080, Tlx : 021-5109
Fax : 266302, Cable : 'OCEANBORNE'

Cotton Textiles Export
Promotion Council
Ashoka Estate,
Barakhamba Road
New Delhi – 110 001
Tel : 3316168

Cotton Textiles Export
Promotion Council
Engineering Centre
9, Mathew Road
Mumbai – 400 004
Tel : 3632910-13, Fax :
3632914

Council for Leather Exports
6-G, Gopala Tower
Rajendra Place
New Delhi – 110 088
Tel : 5718516

Council for Leather
Exports
53, Sydenhams Road
Chennai – 600 003
Fax : Tel : 33198, Tlx : 41-7354
CLE-IN
Cable : 'LEXPROCIL'

Electronics & Computer
Software
Export Promotion Council
PHD House, II Phase, 3/FI
Sri Fort Industrial Area,
Hauzkhas
New Delhi - 110 016
Tel : 655103/ 655206/
654463
Tlx : 031-73333 ESC IN
Fax : 6853412 Cable :
'SPICX'

Overseas Construction
Council of India
Commerce Centre
Tardeo Road
Mumbai – 400 034

Export Promotion Council for Handicrafts
6, Community Centre
Vasant Lok, Vasant Vihar
New Delhi – 110 057
Tel : 600 871/6875377
Tlx : 031-72315 EPCH IN
Fax : 606144

Gem and Jewellery Export Promotion
Council
Diamond Plaza, 5/FI
391A, Dr. D.B. Marg
Mumbai – 400 004
Tel : 388004
Tlx : 75360 GJEC IN

Gem and Jewellery Export Promotion
Council
F-33, Jhandewalan Flatted
Factory Complex
Rani Jhansi Road
New Delhi – 110 055
Tel : 514197

Handloom Export Promotion Council
18, Cathedral Garden Road
Chennai – 600034
Tel : 478879/476043
Tlx : 41-7158 HEPC IN
Fax : 44-471671

Handloom Export Promotion Council
XVI/784-85, Deshbandhu Gupta Road
Karol Bagh, New Delhi – 110 055
Tel : 511524

Indian Silk Export Promotion Council
62, Mittal Chambers
Nariman Point
Mumbai – 400 021
Tel : 2025866/ 2027662
Tlx : 011-3190 SILXIN
Fax : 2874606, Cable : 'INSILKEXPO'

Overseas Construction
Council of India
Flat No. H-118, 11/FI
Himalaya House
Kasturba Gandhi Marg
New Delhi – 110 001

Plastics and Linoleums
Export Promotion Council
World Trade Centre
11/FI, Cuff Parade
Mumbai – 400 005
Tel : 2184474/2184569
Tlx : 83940 PLXL IN
Fax : 2184810, CABLE
'PLEXICONCIL'

Shellac Export Promotion
Council
14/1-B, Ezra Street
World Trade Centre
Calcutta – 700 001
Tel : 265288

Sports Goods Export
Promotion Council
IE/6, Jhandewalan
Extension
New Delhi – 110 055
Tel : 525695/529255, Fax :
7532147

Synthetic & Rayon Export
Promotion Council
87, Veer Nariman Road
Mumbai – 400 020
Tel : 2048797/2048690
Tlx : 83703 SEPC IN
Fax : 2048358, Cable :
'SYNRACIL'

Wool & Woollens Export
Promotion
Ashok Estate, Barakhamba
Road
New Delhi – 110 001
Tel : 3315512/3315205
Tlx : 031-6673, Fax : 3314
626 Cable : 'WARMTH'

Commodity Boards

1. The All India Handicrafts Board
West Block No.7
Ramakrishnapuram
New Delhi – 110 022
- Tea Board
2. 14, Brabourne Road
Calcutta – 700 001
3. Coffee Board
No. 1, Vidhan Veedhi
P.B. No. 302
Bangalore – 560 001
4. Coir Board
P.B. No. 1752
Cochin – 682 016
5. Central Silk Board
Meghdoot
95-B, Marine Drive
Bombay – 400 002
6. All India Handloom Board
Office of the Textile Commissioner
Government of India
Mumbai – 400 020
7. Rubber Board
Rubber Board Office
P.B. No. 507
M.G. Road
Kottayam – 686 009
8. Cardamom Board
Chittoor Road
Cochin – 682 016

National Small Industries Corporation¹

The National Small Industries Corporation (NSIC) through its export development programme is playing a vital role to promote the SSI sector in exporting their products/projects in international markets by providing following assistance to the small enterprises. NSIC is a recognised Export House. NSIC is involved in exporting product and projects of Small Scale Industries of India to other countries. The major areas of operation are: **Export of Indian products like handicrafts, leather items, hand tools** etc. Supply of Small Industry Projects on turnkey basis. Export of IT solutions from India. Export of Relief supplies from India to UN and other International associations. NSIC assists small scale industries to market their products in the international market and has adopted a single window assistance approach for export of small industries products abroad.

Why Export Through NSIC?

Exporting through NSIC has following advantages:-

- A) Absorption of marketing overheads & export promotion.
- B) Raw material assistance programme.
- C) Development of samples & procurement of orders.
- D) Pre-shipment credit.
- E) Post-shipment credit.
- F) Assistance for shipping.
- G) Claiming Export incentives.
- H) Export documentation.
- I) Exhibition/Trade Fairs.
- J) Buyer seller meets.

The Indian small and medium enterprises constitute an important segment of the Indian industrial sector. This sector is highly dynamic and has long been the backbone of India's economy. The sector exhibits an amazingly range in terms of products, sophisticated technology and size. Over 75,000 products conforming to ISO 9000 / ASTM / DIN / BIS standards are being manufactured in the Indian small and medium sector. NSIC has strong linkages with this supplier base. The small industry/enterprise account for 40 percent of India's total exports. NSIC is a recognised Export House and offers a complete package of export services to importers to ensure :

The following assistance can be secured from NSIC

A) Marketing and Promotion

1. Exhibitions / Trade Fairs & Buyer Seller Meets

The products of the small-scale sector are displayed in specified Trade Fairs / Exhibitions at concessional charges. Enquiries, specifications & samples received directly or through its specified indenting agents are passed on to the

¹ Down loaded at <http://www.nsicindia.com>

concerned small scale units for development and final offer. NSIC assists units to do costing and pricing for international markets and also assists them by providing technical information.

2. In Market Support NSIC assists in :

- Organising International Exhibitions
- Organising and participation in Buyers-Sellers meet
- Sponsoring delegation from different SSI sectors to various countries
- Providing information related to sales opportunities available in international market
- Product specific catalogue preparation
- Advertising and publicity in various countries through Indian High
- Commissions, Offices abroad and Internet
- Publication of Exporters Directory
- Participating in Global Tenders
- Providing assistance in deemed exports
- Organisation of Seminars and Workshops to upgrade and update SSI with regard to international developments.

3. Absorption of Marketing Overheads & Export Promotion

NSIC also assists the small-scale sector by providing assistance in negotiations with the overseas buyers by sending samples and for subsequent correspondence for procuring export orders at our cost.

b. Raw Material Assistance Programme

The export orders received by the corporation are passed over to the concerned associate units for shipment. For such order NSIC also provides raw material assistance at concessional rates of interest as notified by RBI within specified norms & conditions of the corporation.

c) Financial Assistance from NSIC

- Pre and Post Shipment finance at concessional rate of interest
- Financial assistance for procurement of indigenous and imported raw material
- Financial assistance for upgradation and modernisation of SSI unit
- Assisting in the process of claiming exports incentives

d) Technical Assistance from NSIC

- Laboratory and Testing assistance for improving quality of products
- Providing assistance in packaging
- Providing assistance for obtaining, inspection documents
- Conducting various programmes related to technology upgradation
- Assisting SSI Sector in Technology assimilation
- Imparting technical training

e) Effective product improvements by NSIC

NSIC has been instrumental in developing a large number of small scale units to export high quality products such as builders hardware, locks, light engineering products, giftware and novelties, readymade garments and textile products.

Export Incentives

All exports benefits are claimed and passed onto the export units without any deduction or else NSIC gives the option to units to claim the benefits themselves.

Export Documentation

All exports documentation with respect to shipping, claiming incentives, negotiations of documents and post shipment activities are done entirely by NSIC and the units need not register itself with other export related agencies.

Pre-shipment Advances

NSIC also provides upto 80% of the invoice value on proof of dispatch, as pre-shipment advance at RBI notified rate of interest.

Assistance for Shipping

Assists the small scale units in making shipments and assists them to prepare all related / shipping documents.

Following activities are also undertaken by NSIC for Export Promotion through SSI

1. Study visit to various developed countries to identify the product range and their market demand.
2. Arrange visits of delegations consisting of representatives of small scale industries/Associations to different specialises exhibitions and buyers-sellers meets.
3. Collect samples during the above export promotion visits and to identify suitable small scale suppliers to develop counter samples.
4. NSIC has already opened two offices abroad at South Africa and Dubai, U.A.E. These offices will be utilised for generation of business for the small scale sector.
5. Publication of a directory of identified products and possible buyers for circulation to the small scale industries.

Nominal Service Charges

A nominal service charge is levied on case-to-case basis.

For further details please visit <http://nsic.nic.in>

Corporate Office

The National Small Industries Corporation Ltd.
(Govt. of India Enterprise)
NSIC Bhawan, Okhla Industrial Estate, New Delhi - 110 020
Tel: ++91-11-26926275, 26926145
Fax: +91-11- 26926820, 26920907
E-Mail: info@nsicindia.com

Regional Offices

Ahmedabad Regional General Manager
202, 203, Samruddh Building, Opp. Gujarat High Court,
Ahmedabad - 380014, Gujarat
Tel. :++91-79-27543228/27541320
Fax : ++91-79-27540159
Email: roamd@nsicindia.com

Kolkata Regional Director,
20-B, Abdul Hamid Street, (7th Floor)
kolkata - 700069, West Bengal
Tel. :++91-33-22480015/22488288
Fax : ++91-33-22487359
Email: rocal@nsicindia.com

Chennai Regional General Manager,
615, Anna Salai, Chennai - 600006, Tamil Nadu
Tel. :++91-44-28268874/28271943
Fax : ++91-44-28255791
Email: rochen@nsicindia.com

Gurgaon Regional General Manager
Munjal Tower, II Floor, 691/9, Old Railway Road,
Gurgaon - 122001, Haryana
Tel. : ++91-95124-2307918
Fax : ++91-95124-2302823
Email: rogur@nsicindia.com

Guwahati Regional Manager(I/C)

D.S. Mansion, Near State Zoo,

R.G. Baruah Road,

Guwahati - 781024, Assam

Tel. : ++91-361-2202251, 2201024

Fax : ++91-361-2202480

Email: rogwh@nsicindia.com

Hyderabad Regional Manager

Kushi-Guada Electronics Complex,

P.O. ECIL Kamla Nagar,

Hyderabad - 500062, Andhra Pradesh

Tel. : ++91-40-2765761, 27616622, 27616677

Fax : ++91-40-27617777

Email: rohyd@nsicindia.com

Mumbai Regional Director

Presitge Chamber, 3rd Floor,

Kalyan Street, Masjid (East)

Mumbai - 400009,

Maharashtra

Tel. : ++91-22-23717725, 23740268/23740272

Fax : ++91-22-23741989

Email : romum@nsicindia.com

Noida Regional Director

118-B, Shopping Complex,

Sector - 18, Noida - 201301,

Uttar Pradesh

Tel. : ++91-95120-2511798, 2513991

Fax : ++91-95120-2510871

Email: ronoida@nsicindia.com

Section V

The emergence of Information Technology in the last century as a **prime driver** and **facilitator of change** in the socio-economic development of the people has revolutionized lives across the globe. Aggressive investment in research & development in areas of Communication (Computer and Communication) has yielded highly positive results. With the advent of **Internet**, international boundaries have melted away and the dream of a global village is eventually becoming a reality.

Electronic Commerce or e-commerce, as it is commonly known, over the Internet is becoming a very attractive proposition for any entrepreneur including the rural poor.



The following section carries information about possibilities to market rural products through E-marketing.

E-marketing -- A New Concept¹

This paper attempts to contrast e-marketing with traditional brick and-mortar marketing by proposing the 7 Cs of e-marketing. These 7 Cs are fundamental to understanding the intricacies of Internet marketing and to transforming a venture from being a mere web presence to a highly successful e-venture. They are also instrumental in shaping the overall business strategy and the economic model that an organization needs to adopt.

The value propositions of products and services offered in the physical world are essentially limited "point solutions" that meet only part of a consumer's need or want. In the online world, even a simple banner advertisement can be both an advertisement and a direct marketing service. The banner raises the passive consumer's awareness of a product. Yet it also encourages the consumer to pursue action by clicking on it.

E marketing must be defined to include the management of the consumer's online experience of the product, from first encounter through purchase to delivery and beyond. Digital marketers should care about the consumer's online experiences for the simple reason that all of them – good, bad, or indifferent – influence consumer perceptions of a product or a brand. The web offers companies' ownership and control of all interactions with customers and thus creates both the ability and the need to improve their overall experience.

There are two reasons for building the concept of e marketing around consumer experiences. First, this approach forces marketers to adopt the consumer's point of view. Second, it forces managers to pay attention to all aspects of their digital brand's interactions with the consumer, from the design of the product or service to the marketing message, the sales and fulfillment processes, and the after-sales customer service effort.

The 7 Cs of E-Marketing

The Internet allows for the entire sales cycle to be conducted on one medium, nearly instantaneously. From making the consumer aware of the product to providing additional information to transacting the final purchase, the Internet can accomplish it all. The Internet is like one big point-of-sales display, with easy access to products and the ability for impulse shopping. Impulse shoppers have found a true friend in the Internet. Within seconds from being made aware of a product, consumers can purchase it online. Further, with the targeting techniques available to advertisers, consumers who turn down a product because of the price can be identified and served a special offer more likely to result in a purchase. In the right hands, with the right tools, the Internet really is an advertiser's dream comes true. As opposed to the 4 Ps of brick-and-mortar marketing, the changing outlook in the area of e marketing can be explained on the basis of 7 Cs of e marketing.

¹ **Prashant Sumeet**

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This paper was down loaded from www.brandchannel.com

Contract: The e-marketer's first goal is to communicate a core promise for a truly distinctive value proposition appealing to the target customers.

Content: refers to whatever appears on the website itself and on hot linked websites. If chosen appropriately, it can increase both the rates at which browsers are converted into buyers and their transactions.

Construction: The promises made by e-marketers are not unique to the Internet, but the medium's interactive capabilities make it easier for them to deliver on their promises quickly, reliably, and rewardingly. In practice, this means that promises must be translated into specific interactive functions and Web design features collectively giving consumers a seamless experience. Such design features as one-click ordering and automated shopping help deliver the promise of convenience.

Community: Through site-to-user and user-to-user forms of interactivity (such as chat rooms), e-marketers can develop a core of dedicated customers who become avid marketers of the site too.

Concentration: Targeting through online behavioral profiling. Advertisers have known for some time that behavioral targeting (a.k.a., profiling) is vastly superior to simple demographic targeting. Knowledge of a consumer's past purchases interests, likes/dislikes, and behavior in general allows an advertiser to target an advertisement much more effectively. Department stores have long kept track of consumers' past purchases. They are thus able to project what other types of products a consumer might be interested in and then send an appropriate coupon or sale offer.

Credit card companies are the ultimate gatherers of behavioral targeting information. They maintain vast databases of cardholders' past transactions, and they sell lists of this data to advertisers. The same type of behavioral model is forming on the Internet. Publishers and advertisement networks monitor the items that a consumer has expressed interest in or purchased on a site (or network of sites) in the past and target advertisements based on this information.

Convergence: We will soon enter the next round of the E-marketing battle as broadband reaches the masses. The Internet will become more ubiquitous and wireless; televisions will become more interactive; video/data/voice appliances will converge; brand advertising and direct marketing practices will integrate; domestic brands, commerce and marketing will become even more global; and big marketing spenders will spend more money online. Many companies that are well positioned today will need to continue to evolve to take advantage of the opportunities. The success of Internet advertising companies will largely be driven by how they maneuver among the coming developments. Rich media, brought on by broadband, will allow advertisers much greater creativity by bringing in new types of advertising to the Internet, as well as enhancing some of the more traditional forms. Broadband technology will allow the convergence of television and the Internet. Dubbed "interactive TV," in its simplest form, will consist of a television with some interactive capabilities. Basically, a user will see a television screen that is three-quarters traditional television, but with a frame that has Internet capabilities. This frame will allow users to access up-to-the-minute sports scores or news on the Web, for example. More importantly for E-marketers, it would allow viewers to immediately leap to the website of an advertiser whose ad was being shown. The user could find out more information or order the product right there.

Commerce: The last emerging fundamental of e-marketing is commerce, whether it includes offering goods and services directly, or marketing those of another company for a fee, thus helping to cover the fixed costs of site operations and to offset customer acquisition costs.

To be successful on the Internet, e-marketers will have to do more than reproduce their off-line business models on line because these business models work only at considerable scale. Interestingly, It is possible for online marketers to be profitable even at lower sales volume if they exploit efficiencies in e-Emarketing and synergies with the off-line business, with examples as follows.

Exploiting more than one channel to close the transaction:

Although early winners on the web might belong to an exclusive club of Internet start-up companies, established players in the off-line industry can catch them and even overtake them by offering a choice of channels.

Leveraging low customer acquisition costs: Traditional brick-and mortar companies can bring their existing customers online at a much lesser cost than Internet start-up companies who must lay out a hefty amount per head to acquire customers.

Exploiting alternative revenue streams: An online presence offers an E-marketer a wider variety of sales opportunities. For web-based retailers, acting as an agent on behalf of the customer can become a revenue source in the future.

Purchasing scale at low volumes: E-marketers can cut down on their purchasing cost and shorten their procurement cycle by replacing EDI tools with Internet based ones that facilitate product comparison, streamline logistics, and help B2B vendors aggregate their retailer's back office purchases.

Reducing customer churn: Given the high cost of replacing established customers, losing them is expensive. A web presence supplies the personalized attention that could keep customers loyal.

Maximizing the pricing potential: It has been reported by consumer researchers that buyers shop online more for convenience than for cost. In view of this relative indifference to price, e-marketers can capture some margin premium, at least in the early days of their sites.

Challenges in e-marketing: Every online fulfillment operation, large or small, faces four main challenges: controlling customer data, integrating on- and off-line orders, delivering the goods cost effectively, and handling returns.

Controlling customer data: As outsourcing arrangements proliferate and delivery services become more expert in using information technology, e-marketers risk losing their lock on consumer data. In an economy where knowledge is revenue as well as power, e-marketers must consider how to strike a balance between the efficiencies offered by the out-sourcing of fulfillment and the confidentiality of keeping data in-house preserves.

Integrating on and off-line orders: When the volume of orders is high, companies must decide how much integration they need. In a totally integrated system, Internet orders would be automatically transmitted through a processing center and transferred to the supplier's manifest. An integrated system with full ERP (enterprise resource-planning) capabilities, for example, can ensure that surges in demand don't retard key fulfillment operations such as data entry, inventory, and packing. Although the problems of rapid growth are complex in themselves, the lack of a fully integrated order management system compounds them. In the future evolution of the Web, however, integration will become essential for building effective customer service and package-tracking systems.

Delivering the goods cost-effectively: At present, every single transaction challenges e-marketers to deliver the goods quickly, cheaply, and conveniently. But this is largely a technical and logistical problem, and it will be possible (though perhaps expensive) to solve it by developing new sorting and scanning equipment and by deploying larger delivery vehicles. Making contact with the recipient is a trickier problem but one that must be resolved if the full potential of "eimpulse" orders is to be realized, for an impulse purchase loses its power to gratify if the product or service takes too long to appear. But since each missed delivery adds as much as a full day to the fulfillment process, spanning that "final mile" to the home can take longer than traveling the rest of the fulfillment loop.

Handling returns: E-marketers, with their emphasis on convenience and customization, must match the high standard of service exhibited by some physical marketers regarding returns. At present, they do not. To begin with, few ecommerce retailers (or mail order companies, for that matter) design their packaging for easy returns. Customers often have to find new packing materials, call to arrange credits and refunds, and physically take packages to delivery services. Each step represents an inconvenience that, however minor, can combine with others to create negative feelings about the vendor. Even if a convenient solution for returns were developed, e-marketers might discover that impulse sales carry hidden costs. The implication is that fulfillment costs must be driven down to preserve profitability.

Choice of Marketing Strategy

An online company's choice of marketing strategy will depend on four main variables: the nature of the customer's interaction with the product and seller; the current capabilities of the business; the capabilities that are (or will become) "commodity" operations, in which competitive advantage cannot be sustained; and the trade-off between time and control. This is essentially a value chain concept (as propounded by Porter) whereby e-marketers look at each component of the value chain and the support activities to determine where and in what form can they add value to the customer. This translates into their competitive advantage. And in this entire process, it is the 7 Cs of e-marketing that act as fundamental guiding principles.

Rethinking the business model

As e-marketers align the "contract" and the "construction," they must also align the economic model that will sustain their businesses. For most of them, the very process of taking the brand online will force a fundamental reconsideration of the business. Digital brands offer a richer consumer experience than their physical world counterparts, so they can and should make money by tapping into broader revenue and profit pools than any single physical-world business might enjoy. The economic model must be expanded because building digital brands around consumer experiences is expensive. A number of different sources of revenue ultimately make it possible for an e-business to deliver a richer experience to the consumer. Since online consumers expect combinations of product types and functional benefits different from those expected by off-line consumers, marketers must adopt several different economic models to succeed.

There are four basic economic models. The success of an e-marketing foray rests on the skill with which two or more of them are combined.

Channel supporter: E-marketers can use the Internet more to support their existing channels than to generate additional sales. Beyond cross-channel promotions, many brick-and-mortar companies can use the web to increase their customers' understanding of their products and services. Others can harness the web's interactivity to improve their product development and product mixes by inviting customer responses on their web sites.

Advisory and information service providers: An expert (such as an investment adviser or a personal shopper) can offer consumers unbiased advice for a fee. A business can also collect, process, and sell information through the Internet.

Retail model: Vendors or products can be aggregated to facilitate transactions for buyers. Many companies can also achieve success as online auctioneers. Sellers of goods and services can provide the content; community may come from matching sellers with buyers and setting bidder against bidder, and commissions on sales and advertising revenue can generate the commerce.

Vertical model: The business model that may take the greatest advantage of the Internet is the vertical model, which specializes, in a particular category or a product. It might provide specialized information and advise as well as access to a community with common interests. Creating winning e-marketing strategies would require managers to reconsider how they view both Internet and marketing. Off-line Marketers have long thrived by delivering narrow solutions to limited customer needs. Online, however, customers have learned to expect that the companies they patronize will meet a much fuller spectrum of their needs and desires. To succeed online, those companies will have to create full-fledged Internet businesses, or digital experience, that can fulfill this expectation.



Rural Bazar - Ideas of today for a better tomorrow¹

Abstract

This paper discusses the prevailing marketing scenario in the rural areas for products made by rural artisans and the associated process limitations, as part of domain analysis. It then analyzes the existing IT framework to overcome the stated limitations & enhance the product reach. RuralBazar, a web based software product from NIC, MIT, GOI, based on the stated framework addressing the problem, is then introduced. The paper concludes with a discussion on issues related to infrastructure & methodology required to sustain the operationalisation of the system. The IT based solution, for rural artisans, has also been recommended by Working Group on Information Technology for Masses setup by Ministry of Information Technology, Government of India (<http://itformasses.nic.in/vsitformasses/rep3.htm#1>). The further details of product and processes are given in <http://crisp.nic.in/ruralbazar>.

Domain Analysis

A majority of our country's population lives in the rural areas and any development efforts made in the rural areas significantly impacts the country's development. Various governmental and non-governmental agencies have contributed significantly to improve the lot of the Indian rural poor and with good results. These efforts have attempted to address different needs of the rural poor. One such effort has been to provide sustainable self-employment to the rural poor by engaging them in micro-enterprises.

Serious attempts are made to exercise care while selecting the activities on which these micro-enterprises are based. In general, the focus is on selecting those activities that exploit the existing skill set of the rural poor and for which resources are available locally. However, the importance of a marketing infrastructure for these products cannot be wished away. In fact, the impact of a near non-existent infrastructure to market these products on the rural poor will be far more severe as he/she cannot sustain the loss even for short periods.

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Current Scenario

A look at the current marketing scenario indicates that many of the marketing issues such as demand assessment, brand identification, product promotions etc. have not been extended the desired attention. However, a few attempts have been made which merit attention. First and foremost is that most of the products, produced by rural artisans, are sold in local rural haats. Besides these haats, NGOs and the governments at various levels have also helped in promoting the sale of these products outside the confines of the local environs. For example., exhibitions and melas are organised in major urban centres to publicize and promote the sale of these products. In many states, the State Government bodies have made contribution to the sale of these products by extending preferential treatment to these products at the time of procurement. Even in the above cases where an attempt has been made to address the issues, the results have not been very forthcoming.

Challenges

As an entrepreneur, the individual or group of rural poor engaged in manufacturing activities of the micro-enterprise faces a number of challenges. Some of these are given below

- Most of the products are still sold at the local rural haats. This means that the products may not fetch a good price as there is limited demand for the products in the limited local market. Limited demand also implies a low turnover, resulting in turn in, low income for the producer. Also, as these consumers are not overly conscious of the quality, the chances for product improvement remain bleak.
- There is limited awareness in the global market either about the availability of these products or about the existence of these micro-enterprises and their activities. With limited publicity, the products can hardly hope to build a market for themselves.
- The exhibitions and melas are not a frequent phenomena. Also, their venues keep changing and are limited to a few towns/cities. Thus, the products are not available all the time in most of the places.
- There is no denying the fact that an intelligent market analysis goes a long way in sustaining the market for any product. Though a formidable task in itself, it assumes gigantic proportions in the present context as the rural poor, with his limited knowledge and finances, can hardly be expected to carry out this exercise. Not only this, the existing marketing infrastructure is equally ill equipped to undertake the task. Nevertheless, such an exercise will help in analyzing the market for customer preferences and accordingly sensitizing the rural poor producers to the demand patterns of the market.

Requirements

In order to meet the challenges outlined above, there is an urgent need for a marketing infrastructure that is designed to address these very challenges.

- First and foremost requirement is that the proposed infrastructure should be durable in terms of time as return-on-investment may span a longer time frame in view of expected low turn-over of rural products, atleast in the initial phases.
- Next in the line of requirements comes the facility for publicizing and promoting the products. Not only should the marketing infrastructure facilitate the publicity and promotion of the products to the widest possible customer base, it should facilitate this for any and every kind of product.
- Publicity and promotion exercises will be grossly undermined for want of accessibility to the sale centres. The infrastructure should provide an any time - any where access to the customers.
- To further enhance the sale of products, an understanding of the potential demand for existing as well as new products is an absolute essential. The marketing infrastructure must support this through a built-in mechanism that reveals and analyzes customer preferences.
- Lastly and probably a very important requirement, particularly in the context of rural producer, is that the financial benefits, generated from the sale of products must flow unhindered to the producer. This is of paramount importance so as to ensure that the rural poor is not exploited and is assured of his/her share of profits.

The above analysis of the domain leads us to the question: Is it possible to put forth a viable and self-sustaining solution that addresses the issues outlined above? If yes, how cost-effective is it?

Information Technology, a facilitator

Elements and Characteristics of IT framework

The emergence of Information Technology in the last century as a prime driver and facilitator of change in the socio-economic development of the people has revolutionized lives across the globe. Aggressive investment in research & development in areas of Computation (Computer and Communication) has yielded highly positive results. And, with the advent of Internet, international boundaries have melted away and the dream of a global village is eventually becoming a reality. The Internet characteristics of simplicity, openness, availability and global ubiquity are starting to impact all

aspects of life, be it governance, education or business, in ways that were neither comprehended nor imagined a few years ago. Internet, more than any other infrastructure of IT, has introduced unprecedented changes in our daily lives so that even mundane activities are carried out in whole new ways.

India's contribution and participation in this revolution has been commendable, to say the least. However, most of the efforts have been service oriented and less at adoption of IT for benefit of Indian citizen. The last few years have witnessed a phenomenal growth in the country with respect to the usage of IT in almost every aspect of the lives of people, primarily in urban and organized sections of the society. However, despite this widespread usage of IT in the urban areas of the country, ***the IT wave has failed to touch the shores of rural India, keeping it marginalized***, from modern digital highways and the benefits associated with it.

But the rural people in general, and the poor in particular, are in no way to be blamed for the situation. Though successful attempts have been made to exploit the power of IT and the Internet for the benefit of the rural poor, most of them have had an indirect and delayed impact, not resulting in any direct, tangible and immediate benefit. For example., the creation of information kiosks (like Warana and Gyandoot projects) in the rural areas to disseminate information to the local rural people has proved to be a very effective means of disseminating information of importance to the local people. However, such information kiosks can hardly help the rural poor who suffer from want of basic literacy and livelihood. As rightly observed in the Background Report of Information Technology for Masses, focused attempts must be made to exploit the power of IT to provide new opportunities, preferably in a form that translates into financial benefits, for these people so that they are able to better confront the poverty. With their daily bread & butter assured, the rural poor will be in a better position to appreciate and reap the benefits of the information kiosk.

Intellectual wealth associated with Internet has been one of the major factors that has propelled its popularity and growth. Another factor that is assuming equal importance is the enormous growth potential that Internet holds for small and big businesses alike. Electronic Commerce or e-commerce, as it is commonly known, over the Internet is becoming a very attractive proposition for any entrepreneur including the rural poor. The advantages of conducting business over the web are many. The ones that specifically appeal to the problem domain at hand are outlined below:

- The major advantage that the Internet offers for a business is its global availability. Even a little known enterprise can realize the vision of expanding its market reach beyond geographic boundaries and local customer segments.

- The Internet allows an enterprise to conduct its business at a very low cost. The cost for operating and service support can be reduced greatly through the use of internet.
- It facilitates greater visibility; once the enterprise and its products are better known, more business flows in.

Accuracy, speed and availability have remained prominent characteristics of the various elements of IT and Internet framework. These offerings must be carefully picked up, seamlessly assembled and relentlessly sustained to strengthen and enrich the endeavors of the rural poor while at the same time overcoming the limitations confronted by them.

RuralBazar - An Internet based solution

NIC, MIT, GOI is committed to strengthen the efforts of other groups and agencies working for the benefit of rural poor and to that end, offers a solution in terms of an IT based marketing infrastructure to provide better visibility & sale of products produced by rural artisans.

NIC addresses the problem by adopting the e-commerce approach, suggested earlier, through its product RuralBazar. RuralBazar is a web store that allows customers to carry out the complete business transaction starting from browsing the products to paying for the chosen products. It offers several services to its users who may be broadly classified as **the producer, the content manager, the business manager, the technical manager and the customer.**

The following paragraphs highlight the services offered by RuralBazar to each of its users.

Customer Services

- Allows a customer to browse a product catalog online or offline (by downloading the catalog from the web-site or through e-mail)
- Accepts orders online or offline (through email)
- Accepts payment online using credit/debit card and offline through demand drafts
- Allows the customer to track order status
- Automatically confirms an order through e-mail
- Accepts customer feedback
- Maintains customer data on profile, preferences, bill & shipping addresses etc

- Provides individualized customer services on the basis of customer profile and preferences
- A host of other services and help facility

Producer Services

The producer is the individual or group who is responsible for producing the products. Keeping in mind the literacy standards of the rural poor and with a futuristic view, RuralBazar offers the following services to the rural poor:

- It automatically generates letter or e-mail (whichever is desired) in the local language, intimating the producer of any new order placed for his products. The same information can be viewed over the web also, again in the local language.
 - Once payment is received for an order, RuralBazar offers a facility to automatically credit the earnings to the respective producer's account, thus eliminating the role of any unwanted intermediaries.
 - The producer can also choose to be educated/updated, through reports, about the demand for his products as well as for any new products. This will help the producer in modifying or changing his product line.
- 3.3 Business Manager Services** The role of business manager is to manage the whole business of marketing the products. RuralBazar provides an interface to the business manager through which he/she can
- Conduct an on-line market survey either by posing questions directly to the customers or collecting data from customer profile, preferences and behaviour.
 - Analyse the data collected from the market survey through a no. of pre-defined textual and graphical reports.
 - Launch advertisement and discount campaigns for the products

Content Manager Services

The content manager is responsible for maintaining the content of the web site. RuralBazar provides a user-friendly interface for the content manager to do the following:

- Updating and maintenance of the product catalogue such as modifying the price and other info about products
- Updating and maintenance of producer information
- Automatic generation of letters that may be required to be posted to a customer, a producer or a bank

Technical Manager Services

Technical Manager of the web store is the key person maintaining the technical aspects of managing the equipment and software and ensuring the smooth functioning of the same. RuralBazar helps the technical manager modify the functional capability of the site on the fly without requiring re-development of the software.

Special Features Besides the above services, RuralBazar has certain features that are unique and therefore merit special mention:

- It may be configured to market the products of the rural poor belonging to a particular state or a particular district in a state.
- RuralBazar can be configured to act as a simple advertising medium that displays product images and their info Or as a site that accepts orders but accepts only offline payment (through demand draft) Or as a total e-commerce site that accepts orders as well as payment online. RuralBazar allows such high-level customization on the fly.

Operationalization Issues

NIC is responsible for problem analysis; design, development and training activities associated with software preparation and will extend support on maintenance of the application software to client organization. However, it is upto the client organization to ensure the availability of the recommended computing/networking environment, adequate manpower & other infrastructure and sustain the operations that includes activities such as content collection, preparation, entry, updation and software utilization as per the stated needs of application software package.

RuralBazar is built using the latest technology to provide an enabling marketing infrastructure for the products produced by the rural poor. However, the journey doesn't end here. Several issues need to be addressed before the fruits of the efforts are reaped.

Technical Requirements

To maintain and sustain the operations of the web site, the following hardware, software and communication environment must be made available:

- One strong server (with very good RAM, Hard disk and clock-speed) where the web-site will be hosted
- Another server with the same configuration to act as the backup for the first server

- A few client machines (depending on the data load at the site) which will be used by content managers and business managers to carry out their activities
- A few scanners (again depending on data load) to capture the images of the products
- High-bandwidth connectivity to the internet for the web server
- SQL Server 2000 to host the database
- Commerce Server
- Round-the-clock availability of power with UPS support or through other adequate means
- IT professionals
- Digital Certificate, to enable online payment and legalise any electronic communications made through RuralBazar

Operational Requirements

Once the technical requirements are satisfied, several non-technical issues arise which must be suitably addressed for successfully operationalising and sustaining the infrastructure. These issues are highlighted below and need to be addressed by client organization before proceeding further.

- The location of the computing environment for RuralBazar must be decided. In view of the technical requirement highlighted above, it appears that the location of RuralBazar web store has to be urban-centric (away from Rural Area). This could be the state capital or district headquarters or wherever the client organization can ensure the availability of the above stated facilities.
- A means for collecting product profile from the rural poor (who is located remotely in a village) and sending it to the web store regularly for updation needs to be worked out.
- Once an order is placed (on WebStore), arrangements must be made to intimate the producer (located in a remote village) about the order requirements.
- It must be determined, with focus on cost-effectiveness, speed and ease of shipment of products, whether maintaining an inventory would be cost-effective or just-in-time ordering. In case maintaining an inventory seems a better solution, then where should the warehouse be maintained?
- If it is desired to enable on-line payment, a tie up with an acquiring or merchant bank and a payment gateway is required.

Conclusion

The paper has discussed at length all aspects of the problem domain; possible stakeholder and IT based Rural Bazar Web Store. The rural poor, the rich products produced by them, the unexplored but promising global market and Rural Bazar are all necessary units of a possible solution. What is required is a few government agencies or NGOs that are committed to the cause of the rural poor and are willing to provide the binding force required to strengthen and realise the entrepreneurial dreams of rural poor.

Section VI



This section provides eight case studies, which highlight how NGOs have been able to strengthen the micro enterprise units and develop marketing strategies

Case 1

Galicha Making – A Small – Scale Rural Industry¹

Background

Galicha (carpet) making is a highly labour intensive activity. Jaipur is one of the few important centres for producing export quality carpets. For quite a long time the activity was concentrated on the outskirts of the city but in a recent years it has spread to villages as far as 100 km away.

Jagdeep belongs to a Regar dhani hamlet, which specializes in leather products and is located about 45 km. from Jaipur. Regar dhani is one of the eight dhanis village inhabited by a single sub –caste (Regars) – a traditional cobbler community. The dhani has electricity, a drinking water pump, television sets and upcoming pucca houses. There are about 40 households in the dhani of which 12 are engaged in galicha making. Most of the households have a small piece of land on which largely rain fed agriculture is practised. Some of the household also keep buffaloes and sell a small quantity of milk. With technological developments, the demand for the services of the Regars has been on decline. In this background, galicha making has come as a boon to many.

Jagdeep, 25, had schooling for three years. He owns two bighas of land and one buffalo.

Origin

Jagdeep started working on galicha making at the age of 13 with a relative in a distant village. He worked there as an apprentice for about two years on a nominal wage and acquired the necessary skills. He returned to his own village with a desire to work independently and contacted a trader in a nearby market who was an important intermediary in this activity. The trader provided a wooden loom and the raw material for galicha making. The payment was on a piece basis. Three years back Jagdeep was able to buy his own loom. A wooden loom costs Rs. 1,500 but the iron loom purchased by Jagdeep costed about Rs. 5,000. He got a loan for this from the RRB under the soft loan scheme of NABARD. The iron loom is efficient, causes less tiredness and leads to more smooth finish. It provides strength to the thread in the carpet and thus increases durability.

¹ S.L.Bapana, P.M.shingi

Product

Carpets vary in size, colour, design, texture, and weight. The trader to whom Jagdeep sells his carpets takes the decision about the final product. The contractor on a rectangular piece of cloth provides the design and Jagdeep monitors its copyright. The usual product produced by Jagdeep is 12' x 9'. The smaller carpets of size 6' x 3' can be produced three at a time.

Finance

The total capital needed for an operation of this sort is Rs. 10,000; Rs. 5,000 as the cost of the loom and Rs. 5,000 for working capital, assuming there is no stock of finished goods. But as Jagdeep was dealing with one trader, working capital needs were avoided, and sales were assured, Jagdeep invested only Rs. 5,000 on the loom.

The loan of Rs. 5,000 was taken from a bank in January 1990. It was due for repayment from 1 April 1991, Jagdeep hoped to repay as per the schedule.

Organisation of the Job

The loom engages four persons at a time. Jagdeep and his wife work on the loom along with labourers from the village hired on a daily wage basis. The labourers are mostly young boys/girls 8 – 15 years old. The manoeuvrability of fingers by children is easy and therefore they are more deft in carpet making. Female child labour is common. Since girls get less priority in education they get engaged in carpet making. Jagdeep complained about the labourers taking leave often. This could be because of the monotonous nature of the work. In about two months, one carpet of 12' x 9' can be produced.

Procurement of Raw Material

Two important raw materials in galicha making are wool and cotton. These are produced from the trader in the nearby village to whom Jagdeep sells his carpets. The trader purchases the wool from Jaipur where it comes from Bikaner. The material is purchased on credit and the trader fixes the price for the raw material. Jagdeep feels that this relation is based on faith between both parties and this helps avoid uncertainty.

The price charged for the raw material is also believed to be competitive. It was also stated that the required colour combination and quantities could be obtained from the trader. But if one went to the market, a minimum quantity of each colour had to be bought and this might result in unwanted stocks of different colours or a shortage of a particular colour. The experience of one of his friends in the open market in this respect was not so good.

Cost of Production

For a 12' x 9' carpet, the cost calculation is given below in the table.

	Rs.
Variable costs Wool 27 kg. At Rs. 95 per kg. Cotton thread 14 kg. At Rs. 45 per kg. Design cost Labour 100 mandays Interest on working capital Total variable cost	15,390 3,780 1,500 9,000 600 30,270
Fixed Costs Interest on investment Depreciation Wages for family labour Total Fixed costs	1,200 1,200 9,000 11,400
Total cost Per sq. ft. cost Sales price Rs./sq.ft. Margin (85.00-65.00)	41,670 64.30 or say 65 85.00 20.00

Case 2

Catching the Tiger by the Tail: Fostering Entrepreneurship Among Craft groups in Orissa²

Time is long past when 'entrepreneurship' was confined to the portals of the academia, when the major concern was to understand and explain conceptual parameters. During the last few decades, attention has shifted to efforts to 'create' entrepreneurs, and the principal actors in this sphere have been governmental and non – governmental agencies, training institutions and social activists, rather than scholars and thinkers. Their experiments have not only brought new entrepreneurs to the force, but have also provided new inputs for theoretical formulations. This paper describes one such experiment conducted in one of the states in India.

If you catch a tiger by the tail, the animal is in your control. Whether this is true or merely a story of a tiger – tamers is not known. The idea, however, summarises the reality we explore in this article: an effective means of promoting group entrepreneurship amongst rural producers is to take care of the marketing of their goods in an organised manner. Our account is based on our own experience during the past four years with the Orissa Rural and Urban Producers' association (ORUPA), which in many ways typifies the transition from 'group entrepreneurship' to 'foster entrepreneurship'. It is necessary to first clarify what we mean by these terms.

From Group to Foster Entrepreneurship

Group entrepreneurship has been talked about in India for more than a decade, but the idea has not yet caught the attention of scholars. For most of them group entrepreneurship remains a contradiction in terms, or at best a utopia. Entrepreneurship, they maintain, results essentially from a set of personal characteristics, found in rare individuals or small teams joined in partnerships. To develop a group of poor people – although they may share an economic interest and become entrepreneurs – to learn the skills of management, to carve out for themselves a niche in market, and to sustain such an effort is far more difficult, if not entirely impossible, than to promote entrepreneurship among underprivileged communities by selecting and training individuals. The latter is a slow and expensive process, but till now is the only valid route to the goal. The failure of group entrepreneurship, they assert, is evident in the remains of thousands of small cooperatives started with great enthusiasm, but which never had the chance to get the ground.

Going by the classical view of entrepreneurship propounded by Joseph Schumpeter, group entrepreneurship would seem to be an aberration indeed. The picture, however, will be different if we change the paradigm, and see entrepreneurship as a

² MICHAEL V. D, BOGAERT S.J., S.P.DAS and S.S.BARIK, Faculty members, Xavier Institute of Management, Bhubaneswar, and S.S. Barik is Marketing Officer, Orissa Rural and Urban Producers' Association, Bhubaneswar.

set of interrelated functions, which have to be accomplished if a business venture is to get going.

To explain this, let us first look at basic characteristics of entrepreneurship. These can be grouped into four major categories: (i) *self – employment*: being on one's own, making one's own decisions, and owning responsibility for them; (ii) *innovation*: producing a new product or service, including, at least in the Indian context, taking to an avocation not engaged in previously; (iii) *risk – taking*: responsibility for the possibility that the innovation may not succeed; and (iv) *responsibility for financial investment*: equity contributed by the promoters themselves and funds secured from financial institutions.

Wherever these four characteristics converge, entrepreneurship occurs, whether an individual or a group is behind the venture or whether the venture is in business, industry, environment protection, or the management of any other asset.

Similarly, three factors are found in all manifestations of entrepreneurship:

1. *Drive*, or the initiative out of which the activity originated and which continues to hold the enterprise together and replenish the capacity to innovate, to take risks, and to organise. This is the core of entrepreneurship, whether in a company, a partnership, or a group venture. It is an expression of leadership.
2. *Ownership* of the venture, in a legal sense, enjoying the sanction of society, but also expressed in the behaviour pattern of owners – caring, nurturing, and protecting against possible dangers. Ownership is also manifested in an ethical sense: owning responsibility for one's decisions, being accountable for one's actions.
3. *Management*, reflecting the concern that the venture is properly structured and processes flow smoothly.

In brief, Drive – Ownership – Management (DOM) holds the key for the success of any enterprise. Should any of these factors fail to function, the venture falls apart.

All this is as much applicable to enterprises promoted by a group as to those set up by individuals. In the case of group ventures, the three factors outlined need not necessarily be found in the group as a whole, or among the individual members of the group, with the exception of ownership, but can be induced from outside – by a person, a team, or an agency possessing the characteristics of entrepreneurship. The person, team, or the agency concerned may function as an escort in the process of passing on these characteristics to another group, which does not have them or has lost them. The enabling agency may continue to nurse or foster the new group till it is able to proceed on its own.

The enabling agency may also help the group develop the three factors of entrepreneurial manifestation. The group of producers can never be divested of the legal ownership of assets, but behavioural and ethical dimensions of ownership, if decayed through non – use, can be restored by escorting agency. This applies to the drive and management factors as well. These may have been lost because of dormancy or may never have existed in the group being escorted, but can be induced.

While one or two members of the producing group may provide the leadership or drive, the management factor may be shared with a larger team of members, or even non – members who may be temporarily engaged as consultants. The ownership of

course is participating in the decision – making process. There may be situations, however, where active workers are simply employees without any stake in ownership. This is true of many craft groups, or so – called registered cooperative societies.

There are hundreds of examples in India, and other parts of the developing world, where group entrepreneurship is present in rudimentary or more developed forms. A sizable portion of sal forests in West Bengal, for instance, is now being protected by village forest committees, which have obtained legal sanction from the state government. The Ford Foundation has documented this case. Orissa is not much behind in this matter and can boast of similar achievement, but the movement is somewhat sporadic and has not been documented as thoroughly as in the case of West Bengal.

In Kamataka, there is a water users' group, which was originally escorted by a non – government organisation (NGO) started by retired joint director of agriculture in the state government. In Kerala, farmer groups have gone a step further and effectively engaged in-group farming.

In the Thuamul Rampur block of Kalahandi district of Orissa, tribal farmers have retrieved from traders the trade in niger, an oilseed they once sold merchants to whom they were indebted, this happened with the intervention of large NGO working amongst them. The tiger is now being marketed directly to the National Agriculture Cooperative Marketing federation Ltd. (NAFED) by their cooperative. It is too early to say, however, whether this case will emerge into a stabilized situation. Still another example of group entrepreneurship is reported from Kamataka where farmers are taking over the management appropriate technology equipment, such as biogas plants and wood gassifiers, built by technical agencies of the state government.

Women have not lagged behind. In Southeast Asia, they have demonstrated how they can save money in groups when they are escorted by an effective banking organisation and thus pull themselves out of dire poverty. In Bangladesh, the Grameen Bank has acquired worldwide renown and the model is being transferred to other countries. In India, SEWA Bank is well – known, but there are many more cases.

There are several examples of group marketing in India: there is the case of the Tribal Handicraft Cell in Ranchi; in south India, a federation of south India Producer Associations (SIPA) has sprung up and is spreading; and there is the Orissa Rural and Urban Producers' Association, which will be described later in more detail.

An imaginative venture is the Trickle Up Programme started by an American couple, Glen and Mildred Leet, who, by providing a start –up grant of not more than US \$ 100 to small ventures in the developing world have by now helped 28,646 poor individuals and groups all over the world to start viable ventures. They have caught the attention of the United Nations Development Programme (UNDP), which has sought their help to rehabilitate refugees in Laos.

Stages in Evolution

All these cases have one feature in common: they all enjoy the support of an outside agency which injects into them the drive and management, enabling them to

effectively own or acquire assets, and administer them such that they could establish their presence in the market. It is extremely rare to find a group, which stirs it self out of slumber unaided.

The following stages can be identified the evolution of foster entrepreneurship:

1. Stages of Dormancy and Frustration with the Existing Situation:

This is the stage before foster entrepreneurship commences. A group may own certain assets or have control over them, but the assets are utilized or grossly underutilized, or may have slipped into the hands of a moneylender through the process of mortgage. There is no proper leadership or management. The members are frustrated and look for a way out.

2. Encounter with an Outside Person or Agency:

For this encounter the group itself may claim responsibility; it may consciously search for an agency. There may be cases where an agency itself looks out for people who need help. Encounters may also purely fortuitous. The parties get to know each other, trust develops, and the agency is willing to commit itself to a more than casual encounter – a prolonged relationship of assistance. This result in a 'social contract' between two parties, at times expressed in a formal memorandum of understanding (MOU).

3. Awareness – building and Injection of Drive:

In the second stage of the process, the enabling agency helps the receiving group to wake up from its slumber by generating hope that if the members organise, change is possible. Training in skills may take place at this stage or later.

The fire provided by the escorting agency lights the flame of decision – making, innovation and risk – taking, which may have been extinguished for years, again. As already mentioned, the initiative taken by the escorting agency finds a nesting in the minds of only a few leading figures who see opportunities arising out of encounter. Obviously, in such a process entrepreneurship, present in the enabling agency, gets shared with a group, which had lost it. Or never possessed it.

4. Activating the Ownership of Assets and Resources:

During this stage appropriate Management structures are set up. In the case of the Grameen Bank in Bangladesh, for instance, the rules of the game, under which a group of local women collect and manage credit generated from amongst themselves in a self – reliant manner, are extremely simple. The same applies to rules for forest protection. The members know that as long as these rules are observed, the benefits will be equitably distributed. Social pressure to enforce the rules is, therefore, generated by the members themselves. The sponsoring agency attends to those functions, which the foster group cannot undertake, such as correspondence with the government, foreign agencies and buyers. It also pays appropriate attention to forward and backward linkages, and relationships with district authorities, power suppliers, banks, support agencies and the like. There is a clear understanding, however, that group members would learn the skills, and take over from the fostering group the task as soon as they are ready to handle it.

5. Marketing:

This is an integral part of the stage just described. A very vital task of the enabling agency is to establish marketing channels at local, regional, national and even

international levels. An effective market link, which brings in regular orders for products, is what appeals to the producers most. It is the tiger's tail, as it were.

Once the sponsoring agency has helped to establish this link effectively and the members begin to enjoy the tangible benefits, the development of other attributes and qualities can start backwards from the tail – end – such as acquiring and numeric values without which the members cannot function effectively in the market.

6. Awakening the Behavioural/Ethical Aspects of Ownership:

The market link provides the carrot and stick to activate amongst the members proper behaviour patterns that go along with a responsible use of the assets which they already own or may acquire in future. Members learn that they are responsible for their decisions, and accountable for the way money earned from the market is utilised.

The ethical aspect can hardly be over – stressed. Members learn that without honesty, integrity, and mutual trust, the venture cannot survive. They, therefore, formulate appropriate rules and enforce their faithful observance irrespective of personality. The foster agency plays a vital role in strengthening the moral fiber of the group, and in ensuring that rules once made and found adequate are observed, and the culprits punished. Too early a withdrawal in this matter might spell the collapse of the group being escorted.

7. Withdrawal and Federation:

This is the last stage in the process. An enabling agency has eventually to withdraw, lest the relationship with the producer group becomes one of paternalism – a new bondage. The group begins to show signs of maturity when it increasingly takes over the management of the forward and backward linkages of its production activities, is able to enforce the rules of the game, and the members become market – wise.

There are certain functions, however, which can be carried out effectively only in a federated manner, such as marketing at national and especially international levels, interaction with government agencies, and training and development. It is therefore, necessary for the groups to realise the usefulness of federating under an umbrella. The federation may also take over the tasks, which were originally performed by the fostering agency. Experience suggests that to set up a functional and organisationally strong federation, a period of eight to ten years is not excessive.

The fostering agency, however, cannot withdraw totally even after the federation is formed. Members may want it keep an eye on what happens, and to be available for help when they are faced with major problems.

Foster entrepreneurship is, thus, concerned with developing the latent entrepreneurial capabilities of a group of producers with the help of an enabling agency, during the formative period. The enabling agency must have a pronounced entrepreneurial culture; one cannot instill in others what one does not possess oneself. This is a logical extension of the concept of group entrepreneurship.

Orissa Rural and Urban Producers' Association (ORUPA)

The story of the **Orissa Rural and Urban Producers' Association** illustrates in many ways how foster entrepreneurship can be dovetailed into group entrepreneurship. The idea of the association germinated rather fortuitously when the authors, who had earlier published a book on group entrepreneurship, were told in a casual encounter by a senior executive of the Industrial Development Bank of India (IDBI); 'Don't merely write about it, or teach it to others. Do it yourself and show in the field that it can be done. Others will follow.'

The second nudge that proved decisive came from the primary producers themselves at a workshop on group entrepreneurship sponsored by the IDBI and the Centre for Development research and training (CENDERT), Xavier Institute of Management, Bhubaneswar, between 9 and 11 March 1989. A small number of craft persons had come to exhibit their products on that occasion. They were not content with being merely silent listeners but wanted to participate in the discussions. On the second day, they moved from a marginal position to center-stage and stole the show. Their message came across loud and clear: 'Help us start a shop at Bhubaneswar to market our products and set up a marketing federation in the voluntary section.' A resolution to this effect was passed at the workshop and a task force was set up to implement it.

The task force consisted of some craft persons from the vicinity of Bhubaneswar, representatives of the IDBI and other financial institutions, development agencies such as the local office of OXFAM, and training centres including CENDERET. This group met several times during 1989-90. A memorandum of association and rules and regulations were drafted and ORUPA was registered under Societies Registration act XXI of 1860 on 11 March, 1990. The members, however, regard 26 January 1990 as the date of birth of their organisation, when the first meeting took place. Significantly, the association was not registered under the Cooperative Societies Act.

Objectives and Membership

The following are the aims and objectives of ORUPA:

1. to provide a sound marketing structure for the sale of products at local, national
2. and international levels;
3. to obtain a living income there from so as to stabilise the economy of the
4. producers;
5. to secure inputs necessary for carrying out the producers' activities;
6. to assure the supply of high quality products at reasonable price;
7. to associate and network with other bodies, official and non – official; and
8. to promote the overall development of the members and their families through
9. education, health care, housing and other facilities that improve the quality of life.

There are different categories of members: *group or institutional members* consist of producer or NGOs, promoting producer groups; *individual members* are producers themselves; *associate members* comprise well – wishers of the organisation, persons or groups; and the *advisory members* are admitted for their specialised knowledge, experience and contacts to further the interests of ORUPA. Associate and advisory members have no voting rights.

Applications for membership can be accepted or rejected by the Council of Management and the Board of Advisors. Those admitted have to pay admission and annual membership fees. ORUPA has been careful not to admit commercialised persons or groups, and to refuse admission where there is an evidence of gross exploitation.

Activities: Forward Linkages

The activities of ORUPA can be divide in two categories: (I) those that look towards the market, the forward linkages – development of products, their marketing, networking with other agencies, and promotion; and (ii) those that look towards the members and their groups, the backward linkages – recruitment and training of members, formulating rules and their enforcement, networking, and securing various inputs including finances.

Marketing of goods is the most important among the activities comprising forward linkages. This is promoted through a variety of methods, some of which are described here.

Participation in Exhibitions and Melas (Village Fairs):

A large quantity of handicrafts are sold at *melas*. A number of such *melas* are held every year in villages as well as in cities. ORUPA feels that one of the best ways of marketing products is through across – the – counter sales at such *melas*.

Although all members groups have the freedom to participate in the *mela* sales, only the better organised ones feel confident to come forward. They send bundles of products to Bhubaneswar with their workers who are briefed thoroughly about the rules of the game. A team including a functionary of ORUPA is constituted to supervise the operations. The ORUPA stall, already booked at *mela*, is manned by the producers' representatives. All goods, tagged with price and code number, are sold under the brand name of ORUPA and money receipts are also issued in its name. ORUPA claims a service charge of 10 per cent on all sales. Accounts are settled at the end of each day.

Exhibitions at which ORUPA participates are sponsored by ORUPA itself or by other agencies such as the council for the Advancement of Peoples' Action and Rural Technology (CAPART), the Government of Orissa, the Government of India, the International Trade Fair Authority, and OXFAM Bridge. At the metropolitan exhibitions and *melas*, orders are taken from exporters.

Till December 1992, ORUPA had participated in twenty-one exhibitions, including the India International Trade Fair at Delhi in 1990 and 1992, the Indian Grameen Services fair at Noida in 1991 and OXFAM Bridge fairs at Bombay and Bangalore in 1992. Initially the progress in this respect was slow so that the total number shot up to ten in 1992 alone. Of these, seven were local and three were held at

metropolitan centres of Delhi, Bombay and Bangalore. Significantly, even though ORUPA as an organisation did not participate in the OXFAM Bridge fair at Bangalore in 1992, its members felt confident to utilise this opportunity to market their products.

Participation in *melas* does involve risks, and there are occasions when even the costs are not recovered by the sales. Small size or bad location of stalls, inefficient organisation of the fair itself, unfavorable weather conditions, local disturbances, or natural calamities may depress the sales.

But the benefits are also considerable. The hustle and bustle of *melas* stimulates the producers' representatives to come out of their limited rural scenario and become market – wise they pick up new ideas from other more experienced exhibitors. Direct interaction with consumers provides valuable feedback about the products. A sense of interdependence among members gets reinforced as they help to sell one another's goods. Besides, ORUPA gets known in a wider environment. A marketing federation in the voluntary sector appeals to many visitors, which makes the members feel good about the organisation. Exhibiting goods at fairs where state – sponsored agencies also display their wares strengthens ORUPA's boundary relations with the government and the organisation gains in legitimacy. In more practical terms, orders are secured from commercial exporters, and coverage by electronic media results in ORUPA becoming better known in the state.

Direct Sales and Promotion of Products: This started in a rather fortuitous fashion. The previous regional representative of OXFAM and his wife great collectors of artifacts and used to receive many friends visiting Orissa. Some of these visitors placed orders for the items they saw in his home but more important was the fact that the reputation of the organisation spread far and wide through these visitors, and ORUPA became part of a network extending beyond their way to Western Europe, and contacts were established in the European market for handicrafts.

From late 1991 onwards, ORUPA started keeping small stocks of micro articles in its office buildings where the customers began to place their orders. This eventually led to the opening of a showroom early in 1993. This was the fulfillment of the first demand the producers had made at the workshop in March 1989. An increasing number of customers come to the showroom to place orders, to discuss, to seek advice several measures have been taken to promote direct sales, such as appending price tags on all articles, giving purchases to the customers in printed plastic bags, and bringing out an attractive catalogue of available products.

In the group of activities comprising what we have called 'forward linkages', the importance of establishing a close nexus with development agencies in India and abroad is next only to that of marketing. The two foster parents of ORUPA, OXFAM's regional office and CENDERET, attract a number of visitors from India and abroad. Most of them evince great interest in the work of ORUPA as an imaginative, innovative experiment in gross-roots development. The officers of the state government too appreciate the significance of ORUPA and send a large number of visitors,

A few developments – minded bankers belonging to various institutions such as the IDBI, the Small Industries Development Bank of India (SIDBI), the National Bank for Agriculture and Rural Development (NABARD), and the State Bank of India (SBI), have been supportive of ORUPA's activities in their individual capacities. Various difficulties, however, have prevented these organisations from being more helpful. For instance, even though the IDBI encouraged ORUPA to submit a proposal for financial support for training – cum marketing centre, nothing tangible happened when the application was actually submitted. For, by that time the policies of the IDBI had become more commercial. Likewise, the industries department of the state government invited ORUPA to offer consultancy to rural cooperatives and groups of handicrafts in Orissa. However, by the time the proposal was ready and approved by the COM, the officer concerned was transferred and nothing more was heard of the application.

Backward Linkages

Notwithstanding some bottlenecks, ORUPA is at the point of a breakthrough in its forward linkages with the market. But this presupposes that the backward linkages have been strengthened and the grass – roots members of the organisation are ready for such a leap forward.

Backward linkages include efforts to: (i) establish networks of members groups in the four zones into which the state has been divided, and to ensure the participation of members in the decision-making and rule-framing process of the organisation; (ii) undertake studies and documentation of activities of members and their products; (iii) train members in management and entrepreneurship, and upgrade their technical skills and ability to innovate; (iv) secure finance for member groups, and (v) promote thrift and saving amongst them.

Promotion of zones: Zones were set up in the first year of operation. The Zonal Coordinators appointed in that year had to be replaced, however, with more qualified personnel in 1992. In the course of that year, three zonal meetings were held which a total of ninety participants; both member groups and other interested producers, attended. These meetings help spread the message of ORUPA. Senior members of the COM or BOA make it a point to attend such meetings with a view to exploring the needs of the members, discussing the rules and explaining the rationale behind them. In this fashion they get first-hand information about the needs at the grass-roots level.

Rules are framed with the active participation of the members. Except for the original memorandum of association and rules and regulations, drawn up in 1989, all other rules are framed in a participatory manner. The interaction between members and professionals from the foster agencies or visiting consultants ensures that small members have a say and rule-making is not unduly influenced or implemented to benefit the 'bigger brothers' who are already better organised.

Studies and Documentation: Since its origin, ORUPA has paid attention to studies on the problems of handicrafts in rural areas. In 1991, CENDERET completed a study funded by the IDBI on 'Group Entrepreneurship amongst Rural Handicrafts People', based on ten cases in Orissa. This yielded a great deal of information on why cooperatives of rural producers become sick. To this study was attached a proposal for follow-up action which generated ideas that were taken up for the backward linkage work of ORUPA.

This study was followed by a similar study undertaken on behalf of a donor agency in Delhi, focusing on its backward linkages in Germany. During the same period, 1990-91, OXFAM Bridge assessed the training needs of members and a freelance consultant did a study on the marketability of ORUPA products in European countries.

Finally, during the latter part of 1992 a baseline survey was undertaken of each of the fifty-odd members of ORUPA And their products with a view to drawing up a catalogue. This was the first documentation undertaken by ORUPA itself as an organisation, although the Zonal Coordinators and office workers of the organisation felt that this was too strenuous.

Training and Up gradation of Technical Skills: ORUPA gives very high priority to training office bearers, executives, and members in management and entrepreneurship. Every year persons belonging to the organisation are deputed to various courses offered by one of its foster parents, CENDERET. During 1992, nearly forty persons attended five training programmes, lasting from five to thirty days. Subjects covered included motivation, leadership, communication, planning, monitoring and evaluation, accounts, development management for grass-roots development agencies, commercial principles, marketing, financial management, banking, production system, quality control, business opportunities, micro-enterprise development by NGOs, and marketing of handicrafts and rural products. Senior executives of ORUPA functioned as resource persons in some of the programmes.

For skill up gradation, ORUPA has no internal resource personnel and depends on technical organisations such as OXFAM Bridge, or freelance consultants. They acquaint the producers with matters relating to the changing tastes of customers, opportunities for developing new products, the need to bring out new designs and such other matters.

Funds from Financial Institutions: Most of the efforts to obtain working capital for members have met with failure because development agencies and banks have, during the last two years, become more commercial in outlook and have stopped loans for development purposes. Only one agency, the Rashtriya Gramin Vikas Nidhi (RGVN), which opened a regional office at Bhubaneswar in 1991, was sufficiently responsive and agreed to advance small loans, charging only a service fee of 6 per cent. ORUPA itself obtained a credit line for up to Rs. 5,00,000 as working capital. One member organisation engaged in brass metal work obtained a credit line Rs. 2,50,000 and another member of Rs. 39,000. ORUPA has not pursued the promotion of thrift and credit amongst its own members as yet, though it is in that line that the solution of credit needs ultimately lies.

Financial Performance

ORUPA has four financial statements since its inception. The picture emerging from these is summarised in Table 1.

TABLE 1
Orupa: Financial Performance

Period	Total	Sales	Grants
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Table

<u>Period</u> Covered	<u>Total</u> Turnover (Rs.)	<u>Sales</u> Of Products by ORUPA (Rs.)	<u>Grants</u> And Donations Received (Rs.)
1 Jan.-30 Sep.91	38,698.00	7,120.00	18,000.00
1 Apr.-31 Dec.91	136,829.00	84,600.00	18,000.00
1Apr.-31 March 92	295,229.00	78,974.00	192,758.00

Initially, the principal sources of funds for the organisation were contributions from the members and fostering agencies. Small grants also came from IDBI, the Industrial Finance Corporation of India some local charitable organisations. The first nine months of 1991 were difficult times, as permission to receive funds from foreign donor agencies did not come. Some of the local sponsors also lost interest and dropped out. Only the two fostering agencies continued to stand by the organisation.

Things began to look up from September 1991. Between that date and March 1992, there was a marked improvement thanks to the arrival of grant of Rs. 1,22,000 from a foreign donor agency, which committed itself to helping ORUPA financially for a period of three years. Permission to accept foreign donations had been received from the government of India earlier.

The calendar year 1992 witnessed a quantum jump in grants received from the same donor to build, among other things, office and infrastructure facilities, and meet the training fees of members. The value of sales also went up nearly four times. This was due to the increased participation by the organisation in exhibitions and *melas*. One exhibition held at Bhubaneswar by ORUPA itself in November generated sales of Rs. 1,05,000, a record till now. The figures for 1992 include a sum of Rs. 48,000 from sales at the ORUPA office itself.

It must be remembered that ORUPA is only a facilitating agency, which receives a service charge of 10 per cent of the value of sales affected through its mediation, the balance going to the member groups themselves. The members also make sales directly the value of such sales was estimated to be about Rs. 5,00,000 in 1992. The promotional activities undertaken by ORUPA do, however, have an indirect impact on direct sales. It is not possible at this stage to determine how much each group is making. But some products obviously sell better than others.

Sales figures do not mean everything, but they do suggest that ORUPA, after a difficult start is gradually gaining momentum, thanks to the massive help received from a donor agency and the efforts of the members, assisted by the foster agencies. If this growth is sustained, it may be possible for the organisation to pay for its ordinary recurring expenses from its own earnings, but not for training and promotion activities. This could be considered the stage of relative self-reliance and sustainability.

Lessons from the Experience

As stated earlier, the mission of ORUPA is to promote group entrepreneurship amongst rural producers by providing for the marketing of their goods in an organised manner. An integral aspect of grass-roots development in the Third World is to help people relate themselves to the market, not only local, but also national and international. Or else, the market would continue to exploit them and keep them in perpetual poverty. An organisation is required for this purpose, but this must be an organisation of a particular type, a *cooperative venture* in which the producers get a fair part of the price paid by the final buyer.

The challenge of creating such an organisation, however, turned out to be more formidable than expected. In a state like Orissa, where industrialisation is still limited to a few areas and centres, the values, relations and customs of producers are rather inconsistent with the culture a marketing cooperative would demand of them. Some of the problems on account of this are discussed here.

Attitudes, Practices, and Habits: Persons in handicrafts are, and perhaps want to remain, primarily artists. They manufacture to express their perception of beauty. Whether an article sells or not is of secondary importance. The market, on the contrary, demands that one produces what the customer is willing to buy, and the taste of the customer changes continually. A number of groups represented in ORUPA, however, are hesitant to give up traditional designs, to try out something new, and to produce articles of utility rather than of beauty alone. The resistance to change is perhaps due to their anxiety about their identity, stability, and roots. How fast and to what extent they will accept the discipline of the market cannot be predicted with any degree of certitude.

The artisans' perception of time poses another problem. Theirs is a rhythmic concept marked by festivals for celebration and labour; not a year divided into months, weeks, days and hours. They are not willing to submit to tyranny of the watch. Commitments to observe deadlines are not considered serious, and excuses for delay are plentiful. They are poor in time management in the modern sense.

The producers work with a minimum of instrumentation, in spaces – often parts of the house – that poorly lit or ventilated, insufficiently protected from the weather, animals, dust, and vermin. Work is most frequently done sitting cross-legged on the bare floor. In such a situation one cannot expect consistent quality. Standardization is out of the question. The local market still takes such objects, but external customers remain lukewarm. Related to this is the lack of attention to presentation and packaging which today plays an important role in boosting demand for a product.

There is no concept among the artisans of ploughing back. If some money is earned from production, this is not invested to improve the apparatus for production – workplace, tools, etc. the result is that compared with the products of many neighboring countries, Orissa handicrafts still lack the finish which the buyer looks for. Further, the producers are grossly deficient in documentation and record keeping, resulting in inefficient costing and pricing of products. Craft persons still

go by estimates, and rough ones at that. Their attitude to maintaining accounts is equally casual.

A bad custom, which producers have learnt from their interaction with the market, is to charge whatever price the buyer is ready to pay. In this way, an unsuspecting buyer from outside there or from abroad may be heavily overcharged. The intention is not to exploit or cheat; it is just commonly believed in the informal sector that one must make hay while the sunshines. The danger of losing a potential customer does not easily occur. Passing off a damaged or totally sub-standard article is also not uncommon.

Group Organisation: A cooperative form of grouping consists of members who are all owners of assets, and are equal in status. They elect the management and control the performance. The concept is a far cry for the handicrafts' producers of Orissa. The only form of organisation universally known among them is the family where the father has complete authority over wife and children. Most group members of ORUPA consist of a master craftsman, or the head of a large family, or a more educated and experienced person, around whom rotates a set of junior persons —sons, daughters, relatives, trainees, disciple. They often live, eat and sleep in the house of the leader. They execute whatever they are told to do, and payment, if made at all, is often a pittance.

ORUPA is aware of the gross exploitation of child workers inherent in this kind of situation. But being aware of the reality, of the grinding poverty in which many incipient groups function, it does not think it wise or humane to stamp out the smoking wick. As and when the groups get better organised, they themselves would exact accountability from the leaders of groups. Likewise, the pressure of change would in due course reduce and eventually eliminate the impact of practices, peculiar to these groups, on their professionals' activities.

To be this change is the sole purpose of ORUPA. It is working to create a work situation in which members participate fully in the decisions- making process, to develop an environment in which work is experienced as joy, and to generate in them an appreciation of the value of their work. The rest would follow.

The authors of this article on the basis of their own experience are convinced that group entrepreneurship does succeed if it is backed by foster entrepreneurship. ORUPA has been set up at the state level for the marketing of handicrafts. In the coming years it should be able to help hundreds of groups, instead of just fifty. The challenge of marketing the goods will grow in complexity. There is no reason why these cannot be handled, if ORUPA recruits a highly competent team of professional marketers trained in management. If ORUPA succeeds, it would have held the tiger firmly by the tail.

Case 4

LEARNING TO STAND ON ONE'S OWN FEET³

It's hard to imagine that anyone in the hamlet of Vanwasi in Raitale village of Thane cluster in Maharashtra wakes up earlier than Deo Gavali. At three am, he is on his feet, milking the two crossbred cows and buffalo he received through BAIF and the Government. Squeezing six and a half liters of milk from his BAIF cow, three and a half from his government cow, and two and a half from his buffalo, Deo mixes the milk into two large metal milk barrels already half full from last night's milking. At 5.15 am, he and his wife Jana are off. They carry the milk on their heads for three Km up a windy, gravel hill road out of the village. Guided by the light of the moon and a weak flashlight beam, they make haste for the nearest paved road to Vanwasi, where a bus will pick them up at six o'clock and drop them off in Jawhar.

It is all part of the daily schedules that Deo, an illiterate farmer with a keen business sense, invented for himself six months ago. Tender care "I don't have any land," explains Deo, who is tall and sinewy, in excellent shape from his rigorous routine. "I thought if I get some cows, I might do some good business." Now he and Jana make three thousand rupees per month delivering milk to a handful of customers scattered across western Jawhar. After receiving a crossbred cow from BAIF three years ago, Deo got a second cow last year through a government scheme he found out about through BAIF. Then he bought a buffalo with his milk money to complete a trio that now comprise the family's sole source of income. While he and Jana used to migrate two months per year to earn 6,000 rupees between them doing construction work, they now make that same amount at home in Vanwasi. "Now I can keep in close contact with my family," says the Vanwasi native. "And I can be at home, so I have time to do other work and relax." When the bus stops in Jawhar, Deo and Jana split. Deo carries 12 to 13 liters of milk, Jana 8 to 9. Stepping over sleeping bodies on front porches, Deo slips in and out of his rubber slippers only long enough to dip his ½ liter ladle into the barrel and pour milk into waiting metal pots. Sometimes no one is there to collect. He places the lid back on his milk barrel and scurries over to his next stop. "I come at the perfect time every day," says Deo, who claims his early doorstep delivery is one of the reasons he has customers. People also like his price; 10-12 Rupees per liter (depending on thickness), versus the plastic packs in Jawhar stores which cost 14 Rupees. "At first I was only delivering to my relatives in Jawhar. Then their neighbors came and asked if the milk was good, and now they buy from me."

A blossoming capitalist, Deo adds water to his milk every day to stretch it far enough to reach every customer. So far he has received no complaints. While he hands some customers special 1-litre *Bisleri* bottles full of "pure milk," he refills those same bottles with milk from his barrel for the next customer. This technique is one of the reasons why he is not involved in BAIF's milk co-op, which only accepts pure milk. BAIF pays 8 Rupees per liter, and comes to Vanwasi twice daily to collect milk and bring it to their chilling plant, where they will eventually sell

³ BAIF Journal

it for 14 Rupees a liter. With overhead, the plant is currently operating at a loss of 2 rupees per liter. But since the Government's chilling plant scheme shut down, BAIF has been forced to continue operation so that participants will have a place to sell in Vanwasi. Not everyone is as enterprising as Deo. "He's doing a lot of hard work," says Dr. Girish Patil, Veterinary Development Officer for BAIF. After finishing their delivery around eight-thirty, Deo and Jana meet in the vegetable market behind the Jawhar bus station. Deo sits next to a bald, middle-aged cucumber and cauliflower vendor and helps the man prepare his cauliflowers heads, cutting the leaves off the sides to expose a dirty white product. Then Deo puts the leaves in an empty sack he brought from home. The veggie vendor's trash is Deo's meal ticket - he'll feed the vestige to his cows back home to increase their milk production. "BAIF told me to get vestige for my cows. I take good care of them, feeding them this and the feed from BAIF. If I serve the cows well, they will serve me well," he smiles. Dr. Patil applauds Deo's care for his cows. "His self-interest is the most important thing," says Patil, who believes Deo will cross the poverty line within the next year. "He comes to all the BAIF meetings, and takes care to cut grass after the monsoon to store for the dry period." Without land himself, Deo has to buy green grass from landowners. Each animal ideally eats 15 kg of dry grass and green grass per day, along with fodder, rice meal, and groundnut.

Though other BAIF livestock participants have had trouble learning to take care of crossbred cows, which require completely different type of care than traditional local cows, Deo has taken to it well. "It's because of my hard work. Others don't give their cows fodder - they free graze them. If we humans only ate one thing every day, we'd get bored. It's the same with cows. We give the cows a variety of foods so that they give better milk. He says that BAIF doctors, like Patil, have been very helpful. On a shelf in his *kaccha* house, he has green tubes of medicine he received to treat inflamed udders. And just last week, Patil made a visit to feed sulphur drug to Deo's BAIF cow, which had an upper respiratory tract infection. "They do a good job of coming when we call them," Deo says of BAIF's Veterinarians. "And they don't charge money, like the Government." At four o'clock in the afternoon, Deo and Jana begin the evening milking. Deo squeezes a liter of milk from his BAIF cow into a metal pan, and feeds it directly to the baby heifer himself. "He thinks I'm his mother," Deo jokes. The rest of the milk is kept in the metal jugs, where it will stay until tomorrow morning's delivery. Without any land to give his two young sons, who are currently away at an ashram school, Deo hopes his kids will eventually live outside Vanwasi. "I want them to have Government jobs. Secure jobs." "If I can stand on my own feet, then anyone can," Deo claims.

Case study 5

Rural Marketing and Enterprise⁴ Bhagavatula Charitable Trust (BCT)

JUST ABOUT EVERY NGO at some point of time would have tried introducing income generation activity as an agent for financial empowerment. Considering the efforts that have been taken, the success rate is quite dismal. Bhagavatula Charitable Trust (BCT) is no exception. Over the years it has worked with lace making, papads, leaf plate making, pickles, tamarind de-seeding, cotton yarn spinning, etc.

The basic problem we were facing was that money, which comes into the village, was quickly getting out of it. We started with papad making. It sounds pretty simple, but it is one that is giving so many problems. Everyone said, it is so easy, just ask some women who know how to do it. We did that. But if you go to a village and ask people to buy a papad, they say, it is too red, it is not crispy enough, it does not expand enough on frying. We tried adding various things. It is now at a stage that women are selling in the local areas, but it is not creating very much employment. 6 women are working on this.

Out of our numerous trials leaf plate making has been the most successful. In this project, BCT procures dry Adda Leaves (one of the many non timber forest product) from the forests through the government run cooperative society (which has the sole purchasing rights from the tribals in the district of Visakhapatnam). However, with regard to the other products the success has been quite limited.

There are many reasons for the failure of the NGOs in enterprise development:

- Inadequate training
- Unavailability of raw materials
- Lack of proper know-how or technology
- Poor quality of the products
- Inferior packing and packaging technology
- Improper preservation and storage facilities
- Poor transport facilities
- Lack of professional marketing expertise

Over and above these, the NGOs tried doing everything by themselves. They did not involve the local traders nor did they make conscientious effort to involve primary stakeholders in running of the activities. Based on the experience drawn upon the past and on the successful income generating models like Operation Flood (formation of milk cooperatives based on Amul) and Lijjat Papad (made by thousand of women in their homes and in their leisure), etc we decided to start a

⁴ Suresh Bhagavatula. Downloaded from www.aidindia.org

unit which would have a holistic approach to rural micro enterprise creation. The role of the Enterprise & Rural Marketing Unit (ERMU) is:

- Procure know-how for establishing micro enterprises
- Train few women and conduct a pilot run of the enterprise
- Design of proper packaging
- Prepare project report based on the pilot run
- Assist women in securing bank loan, where necessary
- Setting up of the enterprise
- Insistence on strict quality control
- Purchase the entire raw material
- Market under brand name

What is the current status of EMRU?

We have now identified four products: coir rope making, papad making, screen printing and pickle making. Few of these are in the pilot phase and few of them are being produced regularly. In all about 27 women from four villages are involved in these activities.

Coir rope making: The people from the Coir Board, Government of India, have trained 15 women from one village. They are using hand-operated spinning wheel as against the mechanised unit due to the appropriateness of the technology. The hand operated unit is more labour intensive, does not require power which is a big problem in this remote village and finally the raw material is in abundance in the local area. Efforts are being taken to diversify the product range by training the women in making doormats, brushes, etc.

Screen Printing: Four women from two villages are involved in this activity. As it was not possible for them to spend some time in the city and learn the technique, couple of day trips were organised in which they interacted with the local screen printers. In this short time it was possible to learn just the theory. The actual work was learnt on the job. As and when there were problems, the screen printers were consulted. We have been able to produce greeting cards, bags and many job orders.

Papad Making: Ten women from one village have been trained in the technique of papad making. (Papad are wafer thin crispy circles of dough which can be eaten either by frying or roasting). Out of these three dropped out. Currently seven women are working on this activity. This unit was beset with problems due to the remoteness of the location. All the raw materials as well as products need to be carried by foot for about 3 kms. To add to this the product was unacceptable to both the urban as well as to the rural markets.

After a year of experimentation and approaching various food research organisation but still we could not produce acceptable product. Ultimately we decided to approach a small institute, which has a degree course in Home

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Case Study 6

Dignity though Papad making⁵

Lijjat Papad does not turn its women into millionaires, but it's the realization of dignified self-employment that is its success. The success of Shri Mahila Griha Udyog Lijjat Papad (now onwards Lijjat) lies, among other things, in its ability to offer self-employment opportunities to women at all its 61 branches. Any woman looking for work can approach any of Lijjat's branches and join the 40,000 plus strong team of Lijjat's sister-members without any fuss, and earn Rs 2,000 to Rs 3,000 every month for her roughly six hours of work everyday from home. That such a system did not collapse under the weight of its growing number of workers but, on the contrary, gathered strength from them and became a shining example of a business based on the sound but apparently impractical Gandhian concept of Sarvodaya and trusteeship is the biggest surprise element in Lijjat's success story. The company has grown into a corporate with an annual turnover of Rs 300 crore for many years.

How does it work?

After a woman has signed the pledge form, which serves as her formal entry and introduction to the formal working environment, she is considered as a sister-member. The branch office normally operates from 6.00 to 10.30 am during which time some sisters prepare the dough, while others receive ready papads from those who had taken the dough home the previous day. Payment, called vanai charge, is made straight away, before fresh dough is given for the day's work. Accounts are never kept pending even for a day nor is any credit given to a dealer no matter how big or important he is.

Success in their hands: Lijjat has fired the imagination of women and rural folk

Every branch is headed by a sanchalika (branch head) who is chosen from among the sister-members by consensus. Similarly, allotment of different works like dough-making, distribution of dough, weighing and collection of papad, packaging, etc. are all decided by the sister-members by consensus. The wage pattern is such that the same amount of work fetches almost the same wages. In any case, it is the collective responsibility of the sister-members to manage all branch activities efficiently and profitably. Apart from production, the branch is also responsible for marketing its products in the area allotted to it. The wide network of dealers and the goodwill that Lijjat products enjoy with customers make the marketing relatively easy. To maintain the high quality and standard of Lijjat products and uniformity in

⁵ Arun A Srivastav is a freelance reporter. He can be contacted at arunasrivastav@rediffmail.com. This article comes to India Together from Humanscape.net through [Space Share](#), our content-sharing program for publishers of other public-interest content.

taste for the same product from different branches, the central office supplies the raw material – mung and urad flour -- to all its branches. This remains the only involvement of the central office in the entire production and marketing exercise of the branch office.

Vanai charges (rolling) differ from branch to branch, between Rs 14 and Rs 18 per kilogram depending on the profit of the branch. Each sister-member is expected, as also bound by the pledge, to roll out at least three kilograms of papad everyday. A new member, after about 15 days of on-the-job training, starts achieving this target in about five to six hours and goes on to roll out one kilogram per hour after some months. Helping hands at home shoot up production and accompanying monetary returns. If there is any loss, sister-members, as the owners of Lijjat enterprise, absorb this by taking less vanai charges. Similarly, profits are distributed among the sister-members as extra vanai charges at the discretion of the branch concerned.

Challenges and potential

The story of seven illiterate and poor women who borrowed Rs 80 to start a papad business, and took its turnover from Rs 6,196 in the first year to Rs 300 crore in the next four decades, involving over 40,000 women on its revolutionary march, is fanciful at any rate. But to say so would be undermining the contribution of a well thought-out Gandhian business strategy, equally well executed by his followers, late Chhaganlal Karamshi Parekh and Damodar Dattani, who worked tirelessly from behind the scene. Their vision was clear – an exclusive women's organisation run and managed by them, a quality product that these women had the expertise to make, and, finally, a work environment which is not competition-driven and mechanised but based on pure labour and love for the organisation and its people.

Lijjat is today guided by separate divisions of advertising, marketing, sales promotion and exports. There is greater coordination between branch offices (different production and marketing units) and centralised marketing, advertising and exports departments. Transfer of finished products to centralised marketing offices from different branches was worth Rs 113.52 crore and ad-spend stood at Rs 2.55 crore for 2000-2001.

But more than its much-hyped sales figure, Lijjat's experiment in the realm of corporate governance stands out as one of a kind. All the centres are autonomous, profits remain with the respective branches and are normally used to augment the business after a due share is distributed as extra vanai charge to sister-members. Employees, numbering about 5,000 including the chairperson herself, are in no way superior to sister-members, and are therefore expected to behave accordingly. Besides, the phenomenal growth and expansion of Lijjat into a multi-product company has opened up new employment opportunities for the sister-members; eligible candidates are chosen and trained to work in its modern Polypropylene, Sasa detergent & cake and printing divisions.

Lijjat's Ranchi branch was established in November 1997 bifurcating it from the only branch in Bihar at Muzaffarpur. It pays Rs 11,000 per month as rent for the building, which houses its office and workshop. A "trekker" (thirteen-seater passenger vehicle) has also been purchased for the conveyance of sister-

members from home to the Lijjat office and back. This branch has 165 sister-members and sold papad worth Rs 0.65 million in November 2002. Vanai charge

is Rs 14 per kilogram of papad and each sister was paid Rs 250 as extra vanai charge on Dipawali this year. The Muzaffarpur branch, according to Lijjat sources, paid Rs 2,500 as extra vanai charge to its sister-members. Similarly, the Mumbai and Thane branch distributed gold coins of five grams to each of the 4,056 sister-members a couple of months ago. The branch averages around four rupees as gross profit and one rupee as net profit from per kilogram of papad.

"As an experiment, Lijjat has insulated its sister-members from joblessness. These women also work from their homes, where help from other family members not only adds up to the income but also makes the work more enjoyable. At the workplace they are self-respecting, hard working and sisterly to one another. More importantly, besides the strength of womanhood, Lijjat is also an experiment in the restoration of the essence of womanhood. The Lijjat women offer an alternative to the highly competitive and stressful work environment defined and dominated by men in which a woman competes with a man more as a man than a woman," says an elderly Gandhian, T K Sumaiya, of Bombay Sarvodaya Mandal.

How is Lijjat placed in the market?

As a business enterprise, the declining sales figure for three consecutive years – Rs 298 crore (1999-2000), Rs 288 crore (2000-2001) and Rs 281 crore (2001-2002) – is a matter of concern for Lijjat management. A growing competitive local market has captured some of its home turf in Maharashtra and Gujarat. But Lijjat has also expanded to the North – Delhi, Punjab, Himachal Pradesh and, with the latest branch in Jammu, to the Kashmir market as well.

Though each branch is responsible for the marketing of its products in the areas allotted to it, the new centralised marketing offices now procure surplus production from different branches and market it at an all-India level. This coupled with a healthy upward trend in the export of Lijjat papad positions Lijjat as the strongest brand in the papad industry. The other big brands in the papad market are Bikaner, MDH and Saktibhog, but none seem to be able to make any dent in Lijjat's share of the industry, as their core business is not papad.

Lijjat markets its products through a wide network of dealers and distributors all across the country, and has never chosen to sell or push its products directly through the vast network of its offices and sister-members even during the initial years. Rather, over the years, Lijjat has developed cordial and mutually beneficial relationships with its dealers. Sisters claim they believe in doing the business wisely and on sound business ethics. Dealers are given a set commission of seven per cent and retailers' earnings are fixed between Rs 2.25 and Rs 26 on the investment of Rs 14 for 200 grams and Rs 150 for 2.5 kilogram packs respectively. There are 24 dealers for Ranchi branch in cities like Ranchi, Jamshedpur, Dhanbad, Bokaro, Patna, Gaya. During the month of November 2002, around 40,000 packs of 250 gram pack of papad were sold and the total income crossed Rs 0.65 million. According to the accountant at Lijjat's Ranchi branch, who wishes to remain unnamed (as that would shift the attention from sister-members to employees and thus violate Lijjat's principles and traditions), from 2003 Lijjat is aiming at a sales target of a million rupees every month.

Thanks to sound advertising, Lijjat has already become a household name as a symbol of women's strength and resurgence, and its recipe combining udad, moong, pepper and hing has conquered the papad-eater's palate.

Appeal of the strategy

Can the formula work again with another product and in another region? Says Dr Suresh Kumar Agarwal, a Ranchi-based doctor with MBBS, MS degrees, a herbal medicine practitioner, a researcher and leading supplier of medicinal plants, who has also experimented with the running of a co-operative hospital for five years, "Ninety per cent of health problems do not require a visit to a doctor or the consumption of allopathic pills, but can be prevented, checked and treated with locally available medicinal plants in the house itself by informed family members or local vaids for no money. But the fact that there is no money to be made from it has resulted in the poor growth rate of home-grown medicine systems."

The same is true about the Lijjat experiment. It makes almost equal money for all its people and makes just enough money. No one would become a millionaire by setting up another Lijjat. If this aspect of Lijjat's operations is not very good news for machine and money-driven corporates owned by tycoons, the essential message that Lijjat's success conveys has definitely fired the imagination of women and rural folks. In many parts of Maharashtra and Gujarat, locally manufactured and marketed eatables are catching on. There is hardly any NGO or voluntary organization nowadays which does not try to create employment and funds, small or big, along Lijjat's line. As a business house, Lijjat itself has been trying to rewrite its own success with another product with varying degree of success. Grounded spices, khakhra, black pepper powder, detergent powder and cake, vadi, bakery products, wheat flour are on Lijjat's menu but papad with a sales figure of Rs 288 crore remains at the top. Among similar ventures, which came a cropper, are incense sticks, leather bags, tiffin boxes and matchsticks.

But most promising among them is the chapati division with six branches in Mumbai. Here, the women come in to work at around seven in the morning and make chapatis as they are prepared in homes. Packed Lijjat chapati, four for Rs five are available at retail shops in Mumbai. These centres also procure orders from hotels, office canteens, etc. and the clientele in Mumbai includes some big names from the hotel and catering industry. "As the pace of life increases, little time is available to most people in metros like Mumbai to cook their own food. There are good prospects for women forming small groups and catering to the local demand for homemade chapatti or similar products," says Ashok Bhagat, a leading social worker engaged in tribal welfare activities in the Gumla district of Jharkhand.

Case Study 7

Producers and Markets in Rural Bihar: A Case of Tribal Handicrafts⁶

The production and marketing of products made by rural artisans in India is carried out under conditions of uncertainty. The interlocking of product and credit markets, as it exists in rural areas, adversely affects the viability and sustainability of economic activities of poor artisans. More importantly, such interlocking has hindered the development of the collective bargaining capacity of the producers, which in turn, has undermined their capability to scout for markets and fetch better prices. This paper illustrates the case of an innovative attempt by a non-government intermediary to organise marginal artisan producers in rural Bihar with a view to give them access to a larger market.

The prevalent terminology and strategies of marketing can be said to be biased as they have been evolved out of the experience of urban-based and capital-intensive production processes. Marketing of rural produce, involving very simple, labour-intensive technologies (most often hand-made) remains an area practically ignored by the producers' experts alike. There is equal apathy among policy makers too. In India, the institutional and infrastructural aspects of rural marketing started getting some policy attention only in the 1980's.

Most of the traditional rural industries in India face the problem of marketing in varying intensity. To add to the woes of the rural producers, there is large-scale exploitation by middlemen and traders. Shortage of working capital often forces the producers to approach moneylenders who charge exorbitant interest rates to the meagre loans that they provide. Similarly, they are compelled to enter into contractual agreements with middlemen who supply raw material, but make it mandatory in turn to hand over the entire produce to them at abysmally low prices.

Attempts at providing marketing support to rural producers can succeed only if marketing is practiced as part of a spectrum of activities starting from raw material procurement to processing to selling products at remunerative prices. Practiced thus, marketing support mechanisms would ultimately take producers away from the clutches of the middleman-cum-supplier-cum-trader and assure them of sustainable, long run income generation activities. After all, marketing is 'a social process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others'.

Marketing of Rural Produce: The Indian Situation

Rural producers generally produce conventional items by using traditional techniques of production. Due to lack of exposure, they continue to produce the same products and designs year after year. The productivity of rural industries is also low due to technological constraints. The machinery used by rural producers does not have the built-in flexibility to produce improved items. As a result, there is a continuous threat of competition from products of organised modern industries, which are not only better designed but qualitatively superior too.

Marketing of rural products is mostly performed under uncertain conditions and does not have any organised functional pattern. Most of the rural products have a very poor distribution network and are generally sold in isolation. They are either sold in adjoining villages or in nearby urban markets. Because of the limitation in reaching out to either the state or national level markets, rural artisans mostly depend on village *hats*, which are usually periodic in nature.

The marketing network of rural industries is controlled mainly by private sector and cooperatives. As we mentioned earlier, in any region, the rural market is generally characterised by a system of 'unequal exchange' and is dominated by the lobby of traders, commission agents, exporters, retailers, dealers and forwarding agents. They constitute the private sector. This sector often exploits the disadvantaged economic condition of the rural artisans, resulting from debt trap, low income and dependence on external outlets for sale of their products, by creating pressure to sell the products at low prices. The most common practice among producers is to sell the products through wholesalers or commission agents against contracts. There is no scope for bargaining, as the producers are just price takers. As a result, the middlemen keep a hefty margin for themselves and the poor producers get a bare minimum return. Indeed, because of an uncertain demand and lack of adequate income from their products, rural artisans are more concerned with loss minimisation than with profit maximisation. By and large, neither the buyer nor the seller has any notion of the 'right' price as both operate under financial constraints and inadequate information.

Thus, crux of the problem of marketing of rural products lies in the lack of proper institutional linkages, which allows exploitation by middlemen. Getting rid of the exploitative middle layer means involvement of intermediaries, either government or non-government, which could provide the producers with the necessary marketing support. This paper is based on an illustrative case study of an innovative rural marketing experiment where a non-governmental organisation (NGO) has been called upon to be a partner in marketing of products made by tribals.

Swansi Weavers: A Brief Profile.

In the eastern part of the Chhotanagpur plateau there was a greater concentration of the *Swansi* population who were weavers by caste. In the late 1970's it was found that some of the *Swansi* no longer followed their ancestral occupations of weaving. They had been facing problems in marketing their products, which any case fetched only a small return. Many groups of forest dwellers, craftsmen and artisans were caught in the same situation. Since most of them did not have any cultivable land, they started working as agricultural labourers or migrating to other areas in search of jobs. Those who still continued with weaving were earning about five to six rupees per day and were able to engage themselves only for fifty to sixty days in a year. It was still a household activity. In many villages the weekly *hats* were not able to accommodate the entire production of weavers of that area.

The obvious result was large-scale migration of the *Swansis*. About 200 families from twenty-five to thirty villages of Khunti subdivision had migrated during the late 1970s and early 1980s. Amidst such grim circumstances, a few *Swansi* leaders, who had some knowledge of the outside market, began acting as middlemen. They helped weavers to improve their production and market their products. During the weekly *hat* they purchased articles from the weavers and sold them in the local or outside market depending on the demand. But the efforts of these few leaders were not organised enough to bolster trade on a sufficient scale. Very often they also found it difficult to sell the products they had collected from the weavers.

Vikas Maitri, a development organisation, started identifying *Swansi* weavers who were still operating their forlorn looms. They took the initiative by giving *ambar charkas* and yarn to them, purchased the woven cloth and tried to market it. But, they failed to generate sufficient market for the products as people in urban areas had a fascination for fine quality mill-made cloth. This trend was developing in the rural areas too as they were becoming more and more exposed to the outside world through improved communication and information. They did not accept the coarse quality hand-made cloth any more. The demand for traditional articles, therefore, did not pick up and the efforts of Vikas Maitri did not bear much fruit.

The traditional craft was thus undergoing a declining trend. Cheaper substitutes were available in the market. Because of lack of knowledge and financial constraints the weavers were unable to bring about any technological changes in their production process. Not only were they unable to produce finer quality cloth to match the standard of machine-made fabric, their productivity was also very low. Designs and patterns remained the same.

Too much dependence on mill-spun yarn also contributed to the gradual decay of the hand-made weaving industry. As there was no local source of obtaining yarn, the very existence of the weaving industry was dependent on modern spinning mills. The weavers found themselves totally sandwiched between the yarn dealer on the one hand and the village folk on the other. For the supply of their yarn they were totally dependent on the outside dealers, but for the sale of their products they were dependent on village customers only. An increase in the price of mill-spun yarn led to increase in the cost of production; but due to a limited market, they were unable to increase the price of their hand-woven cloth.

Origin of Tribal Handicraft Marketing Cell

In the year 1982 some *Swansi* leaders approached the Xavier Institute of Social Sciences at Ranchi (XISS) to help them in reviving their traditional occupation. They were worried about the very existence of their community. The project Tribal Handicraft Marketing Cell (THMC) started as a response to this request in 1983 with the support of the Swiss Development Cooperation on an experimental basis. Prior to launching THMC, XISS had organised a village seminar of five days duration, which was attended by weavers from twenty-five villages. The problems and prospects of the weaving industry were discussed in the light of prevailing socioeconomic conditions. The utility of establishing THMC and its probable activities were also explained.

Opportunities were explored to include other cottage and village industries like leaf plate making, bee-keeping, poultry farming, jute products making, lac processing and carpentry under the purview of the Cell. Villagers themselves came out with several ideas on new product lines, which could be produced using locally available raw materials.

As a part of the activities of the Cell, the *Swansi* leaders began to collect the cloth woven by the unorganised weavers from the interior villages and give them to XISS, who marketed it in different places. Looms, yarn, ruche, bobbins, etc., were provided to the weavers. The sale proceeds were given to the leaders who, in turn, distributed the amount amongst the weavers. This process continued for six months. The total business during the late 1970s did not amount to more than a couple of thousands of rupees, but it showed that there was a rising demand for the products.

Incidentally, some German, Belgian and English clergy who were on an assignment to Ranchi, visited XISS and liked the cloth woven by the *Swansis*. They purchased the Tablecloths, bags and stoles (a long narrow band used by clergymen.) These products seem to have evoked a good response back in their respective countries. When some of them returned to India, they purchase hand-woven products in much larger quantities. They also gave some financial assistance to the weavers. Interestingly, during ordination, the Bishops of the Catholic Church in Ranchi also wear vestments made by *Swansis*.

In the meantime, the *Swansi* leaders kept on repeatedly requesting the XISS members to come down to see the situations of weavers in the villages to understand the gravity of the problem. In the year 1983, some members from XISS visited Marangada, Bakulda and Kitahatu villages in the Khunti block of Ranchi. They interacted with the weavers and realised the need to aggressively market the products, which were of good quality and especially suited for rough use. They also realised that if appropriate marketing channels could be developed and certain levels of quality control exercised, the products could earn customer acceptance both in rural and urban areas.

Once marketing was identified as the main problem, XISS decided to deal with it in a systematic manner. It is interesting to note that THMC started their intervention with marketing, which is generally considered to be the last stage in nay production process. This was not unintentional. The approach was that of 'catching the tiger by the tail', meaning that, if markets can be ensured, then other activities will automatically follow. XISS believed that 'an effective means of promoting group entrepreneurship amongst rural producers is to take care of

marketing of their goods in an organised manner. It would develop a cohesive force that would make the process (procurement-production-marketing) self-sustaining and ensure a steady flow of income.

There was some initial hesitation among XISS members regarding the precise role XISS should play—whether it should only act as middleman and collect articles from weavers and sell them in the market, or it should also take other developmental measures to promote the industry. At first XISS collected different articles produced by the weavers and sold them to Sharba Shanti Ayog (SASHA) in Calcutta which was involved in marketing and promoting handicraft and cottage industry products. They had wide contacts with different buying organisations and had a steady clientele both in India and abroad. When representatives of XISS approached SASHA they immediately responded by purchasing all the articles they had with them.

As the initial experience was encouraging, XISS members took the initiative in developing new designs and patterns and also instructed the artisans regarding overall improvement of the quality of the products. They conducted a seventy-five-day training programme in which experts from SASHA were invited to train the artisans on design development. Intensive training was given in skill improvement and the development of new designs and patterns. A series of meetings were held with weavers wherein they were made to understand the utility of their products so that those who had already left or were about to leave their looms could be rehabilitated in their traditional occupations. The commercial value of their work was also explained to them. The weavers understood that if they could develop some new designs and make technical improvements to increase productivity, weaving would provide them full-time employment and a good income.

A well-thought out system was developed later whereby XISS provided the weavers with raw material (for example, yarn and dyes to colour the fabric) and then collected the products after giving them a fixed wage rate. Thus weaving became a continuous and steady source of income for them. They did not have to worry about selling the articles. The wage rate varied from item to item, and was revised time and again to cope with inflation.

Contacts were also established with agencies like SASHA in Calcutta and DASTKAR in New Delhi, which specialise in marketing village handicrafts in India and abroad on a non-commercial basis. The Society began to exhibit fabrics in the fairs in major cities organised regularly by these institutions. Some young weavers went along and exhibited their weaving skills at such fairs. In 1993, the Society set up a craft development centre in one of the villages with financial support from the Government.

Though the basic objective of the Society was to ensure 'incremental remunerative return' to weavers and rural artisans, it soon realised the need to address issues other than marketing. For instance, since most of them were illiterate, there was always the possibility that they could be cheated by an outside agency. Hence it was essential that the villagers knew what their income from the sale of their products was. The Society thus decided to impart primary education to them and help them in maintaining simple accounts. Primary and adult education has also been actively promoted by the Society. Seasonal illness was also very common among the villagers, which disrupted their activity. To keep them in good physical condition, the Society decided to take precautionary health measures by arranging visits of doctors and distribution of free medicines. In other words, in the case of THMC, marketing became an important part of a comprehensive package of programmes.

Strategies of Marketing

The above account reveals that THMC has followed a general strategy of developing both forward and backward linkages to realise the full market potential of tribal handicrafts. The forward linkage activities, which focus on the market, are—development of products and designs, their marketing, networking with other organisations and promotion. Activities that promote backward linkages are training and education, formulating rules, networking ensuring timely supply of inputs. As mentioned earlier, the project initially began with organising only the weaving activity. Later on, other activities like rope making, jute work, leafplate making, oil crushing, bee-keeping, basket making, wooden toy making, soap making and brass work were also taken up.

Marketing is done in three different ways: direct sales to the customers visiting THMC, sales against orders from interested parties and through linkages with developmental agencies, and participation in exhibitions, trade shows and the like. The THMC tag is attached to all the articles. Exhibitions stimulate the producers' representatives to come out of their confined rural scenario and become enterprising and customer-oriented. They provide a platform for the exchange of ideas. Interaction with other participants helps artisans update their knowledge and familiarise themselves with the latest trends and designs. They also become aware of the changes in demand pattern in such meets. It has also developed confidence among artisans and some of them have started participating independently in exhibitions without the assistance of THMC. The society ultimately wants to make the artisans self-reliant and confident, and enable them to take decisions, develop new designs and effectively market their products without any external support.

Moreover, XISS has a 'display window' where wide ranges of handicrafts produced by the artisans are exhibited. Customers, including foreign visitors come to the THMC office and place their individual orders. In case the quantity ordered is large, the society gets the products made within the stipulated time period by supplying the raw materials to the artisans. This means that the THMC have to continually visit the villages and monitor the progress of work by the artisans. They also have to constantly check the quality of the products. Earlier, the practice was that each week the finished products were collected from one or two central villages by the staff of THMC and the producers were paid on the spot. Later, the producers started bringing the products twice a week to the branch office, where they also collected their wages. They are also provided with the necessary raw material bought in bulk and are given specific instructions as to the specific items to be produced in the following week. The weavers are thus spared worries about procurement of raw material and other inputs and marketing the products. They can concentrate on their production.

Apart from SASHA, DASTKAR and CAPART, organisations like OXFAM(UK), Tribal Art India (Mumbai), Contemporary Art and Craft (Hyderabad) and Central Cottage Industries Corporation Limited (New Delhi, Mumbai, Calcutta) frequently place large orders with THMC. THMC gets the products made according to their prescribed norms and designs. Goods are also marketed abroad mostly through Third World shops and marketing organisations in the USA and other developed countries on the European continent. There are OXFAM shops in USA, UK and other European countries and a variety of other outlets, through which the goods produced by the *Swansi* artisans reach the customer. Such linkages with a worldwide network, the artisans (especially weavers) are assured of long periods of employment and sufficiently attractive incomes which motivate them to continue

their trade and stay in the villages. As a result of the intensive marketing efforts of the society, the market for the woven cloth increased from Rs. 60,000 in 1986 to Rs.3,29,663 in 1992-93 and to Rs.4,82,138 in 1994-95. Craft-wise income per person varies between Rs. 25 and Rs. 30 per day except for carpenters and weavers, who continue to earn Rs. 40 to Rs. 60 a day.

Developing Backward Linkages

Supply of Inputs: A smooth supply of inputs is the basic condition for undertaking any productive activity on a sustained basis. For the supply of yarn, weavers were entirely dependent on modern mills, mostly located in urban areas. Half a century ago, rough cotton was grown by the local *Munda* farmers. This cotton was given to the *Swansis* to be woven into loin cloths, shawls, saris, turbans, cotton blankets etc. During the 1970s, however, the *Munda* farmers stopped cultivating cotton. Moreover, the womenfolk began to prefer finer mill cloth instead of the thick hand-woven cotton. As a result, the *Swansis* were forced to buy yarn from the market in Ranchi at very high prices. This led, as seen earlier, to tremendous exploitation by yarn dealers who acted as middlemen. As the cost of raw material increased, the profit margin of the artisans shrank, but they could not pass on the cost to the customers since they were longer interested in buying coarse cloth and preferred the finer variety.

It is in this scenario that the THMC took the initiative to assure timely supply of basic inputs (yarn) at a reasonable price. They also developed an efficient system whereby yarn and other inputs were supplied to the weavers and once the production process is completed the woven cloth is collected after giving a fixed wage to the weavers depending on the output. For some activities like bamboo work, basket weaving and bee-keeping, raw material is available locally in the villages. In these cases, the producers give the manufactured articles to the Society and receive the sale proceeds in return.

Product and Design Development. The market survey conducted before launching the project revealed that there was a need for bringing our changes in the shapes and sizes of the products made by the weavers. The survey also emphasised that a large market could be covered if enough attention was given to produce items of utility. This is true not only in the case of hand-woven cloth, but other rural industries' products as well. The advantage of producing utility items is that as they are used in the household, repeat purchase is assured. Design development was planned right from the beginning with this perspective.

Expert designers (from SASHA and DASTKAR) are invited to impart special design development training to the weavers. These expert designers work with the weavers on their looms and generate new patterns and designs. The print and sizes of the woven cloth are changed to suit customer requirement. Some interesting and bright colour patterns were developed in some of the training programmes. Immediately after training, weavers often receive large orders for the new designer cloth from organisations like SASHA and DASTKAR. The development of new products is simultaneously carried out in the THMC. This helps in sustaining demand for the products. There has been a continuous change of product mix at the THMC's 'display window'. In its continuous search for variety, the society has developed sixty new products.

Training and Technology Transfer: Training is an integral part of the project. The society conducts training programmes on various aspects of the project. In the earlier years, all the training programmes were organised in one or two villages. In 1987, a permanent craft development centre (training-cum-production centre) was established in a village where there is a greater concentration of *Swansi* population.

The society conducts the following programmes:

1. Training for youth and children of the *Swansi* weavers: This was necessary since the new generation had lost hope of survival because of very poor return of the products manufactured by them. Lower demand coupled with poor price had made their living difficult resulting in large scale migration. The purpose of this training programme is to rehabilitate the new generation in their traditional occupation by giving them training, supplying them with raw materials and taking up marketing of their products. The youth have begun to understand that weaving can be a good source of income and can provide full-time employment. Similar training programmes are also organised for products of other rural industries where the new generation had given up their ancestral occupation because of financial and marketing problems.
2. Training of weavers for skill upgradation: Technical skill development training is imparted to improve quality and productivity of the artisans. Two master craftsmen were also sent to the Indian Institute of Handloom Technology, Varanasi to attend an improved weaving and dyeing course of four months' duration. Some informal skill improvement training programmes are also conducted at the village level.
3. Design development training programme for producing secondary products: This training is conducted specially for producing articles for export. A group of ten tribal women were trained in this programme and they have since been producing items for export.
4. Training in other crafts: As a part of the project training is also given to craftsmen employed in crafts such as jute work, bamboo articles, woolen products, dokra art (brass work), leafplate making, bee-keeping, etc. Some of these crafts are seasonal and supplementary to their agricultural activity. Unlike weaving, many of these activities are yet to be fully organised and developed.
5. Training to outstation groups: Some times the master trainers of the Society are sent to other places to conduct training programmes.
6. Extension Training programme: The objective of this training is to impart information and training on marketing of rural products to development workers and project executives. Training on entrepreneurship development is also a part of extension training.
7. Legal awareness programme: Legal awareness programmes are also organised for the artisans.

Socioeconomic Impact

The THMC has been evolved over time as an integrated rural development project for the small community of weavers and has been fruitful in preventing large scale migrations of Swansis from the Chhotanagpur plateau. Because of continuous patronage of the THMC, weaving has become a lucrative source of livelihood to the villagers. Those who had already migrated or were about to migrate, have been rehabilitated in their traditional occupations. It has increased their level of income, provided full-time employment and improved their standards of living as well. The wage rate paid to the weavers is revised from time to time to match the inflation rate.

Before the inception of the THMC, due to the increasing price of mill spun yarn and the inability of the weavers to find a proper market for their products, weaving was not considered a worthwhile occupation to pursue. The weavers were earning about Rs.5 to Rs.6 a day and were hardly occupied fifty to sixty days in a year. Now they are employed for almost 300 days a year. The society has provided improved looms to replace the traditional one. At present, taking up weaving as full-time employment, a weaver can earn about Rs 200 to Rs 300 a week. Thus a family of four to five weavers can earn Rs 800-1,200 per week as wages. The consumption pattern, food habits and clothing style of the villagers have changed considerably. Improved income level has led to added confidence and a sense of responsibility among the villagers. Some of the weavers now go to metropolitan and other to participate in exhibitions on their own initiative.

Conclusion

The experience of the THMC clearly points to the need to approach the problem of marketing of craft-based rural products with a community perspective. The marketing bottlenecks faced by the artisans arise not merely from the imperfections in product design, but from their social and economic backwardness and the resultant dependence on essentially exploitative networks for both resources and markets. This latter constraint has prevented many of them from pursuing their entrepreneurial activities. THMC's intervention in organising the producers around the issue of marketing has helped at least a few to cross the critical minimum, threshold and manifest their entrepreneurial skills.

Notes

(1) The necessity for setting up an institutional outlet for the supply of inputs and marketing support for the products produced under various rural development programmes was mentioned in the Seventh Five Year Plan (1985-90) document. Subsequently, District Supplies and Marketing Societies (DSMS)/District supplies and Marketing Agencies (DSMA) were established to provide marketing outlets to target groups. In some states the beneficiaries of the Integrated Rural Development Programme (IRDP) were linked to voluntary organisations like SEWA in Gujarat. See Rajagopal, *Rural Marketing Administration in India* (Delhi: Kaveri Books, 1995), p.2.

(2) Philip Kotler, *Principles of Marketing* (New Delhi: Prentice-Hall, 1987)

(3) B.Minj, 'Weaving Then and Now' (Ranchi: Vikas Maitri, undated).

- (a) The project aimed to Revive and promote traditional and new handicrafts in the tribal areas of Chhotanagpur plateau.
- (b) Enable artisans to sell their products at more remunerative prices by bringing them in contact with marketing organisations, governments and others in India and abroad, enhancing the quality of products and assuring necessary credit for marketing handicrafts.

- (c) Publicise the goods produced by rural artisans of the Chhotanagpur plateau and to promote sale of products
 - (d) Engage in Research and Development and encourage R& D being undertaken by other agencies, to improve the adoption of patterns and colour combination etc. in keeping with the demand of their market and imparting such innovative methods to weavers and artisans.
 - (e) Promote professional and human development of the artisans by organising training programmes which could help artisans to start their own marketing cooperative or other societies, so that they can directly interact with the markets.
 - (f) Maintain relations with other promotional organisations, government and other agencies such as Khadi and Village Industries Centre, District Rural Development agencies, Block authorities etc., which can contribute to the economic survival as well as the social improvements of the artisans.
5. By september 1984, THMC was registered as a separate Society under the Bihar Societies Registration Act XXI of 1860. Subsequently, a detailed project report was submitted to the Council for the Advancement of Peoples' Action and Rural technology (CAPART), New Delhi. CAPART agreed to support the Society and sanctioned the necessary funds. The project was sanctioned for a period of three years and later was extended to four-and-a-half years.
 6. Personal interview with Fr. Bogaert s.j. on 26.3.96
 7. As explained by Mr. A.K.Sinha, Director, THMC in a personal interview on 7.4.96.
 8. The society participates in about six to seven exhibitions in a year. Some of the annual exhibitions in which the THMC regularly participates are organised by Development Commissioner, Handicrafts (New Delhi), 'Mahila hat' (New Delhi), CAPART (New Delhi) and OXFAM Bridge Fair (Bangalore).
 9. THMC has to face problems in making the artisans work according to schedule. Until a few years ago, *Swansis* behaved like 'homo-non-economicus'. Once it so happened that a commitment was made to deliver some articles within a certain time period. The weavers, however, decided that a certain day was a day for fishing and returned in the evening with a *handful of Fingerlings* the value of which was much less than what they would have earned had they worked on their handlooms. See M.V.d.Bogaert s.j. and S.P.Das, *Group Entrepreneurship with the Rural Poor: An idea, Whose Time Has Come*, (New Delhi: Indian Social Institute Publications), p.19

Case Study 8

Gauri's Pankhi -Slipping Away⁷

A *pankhi* is a traditional fining device. It is made by interweaving the branches and leaves of the date or palm trees. This non-farm, traditional activity is largely done by women. The raw material comes from Ladpura, a village 70 km. from Jaipur. Ladpura is a big village having about 7,000 inhabitants. It has all amenities such as power, water, a school and post office. Other activities are cotton carpet making, - (with about 150 horizontal looms in the village), semiprecious stone cutting. There are several service workshops as a regional rural bank in the village.

Gauri, who belongs to Regar community (whose customary occupation is manufacturing leather products) makes *pankhis*. There are 150 Regars, mostly in joint households in the village, and 45 of them make *pankhis*. Gauri's household has 13 members including four women, four men and five children. One of her sons is a matriculate while one is studying in the sixth standard. Two grandchildren have just begun schooling. Her son is engaged in carpet making while his father is engaged in traditional leather products such as shoes and other accessories for local needs. The shoe is made generally for local customers in traditional designs. The competition in the traditional leather product market is very high and, therefore, *pankhis* supplement the family income. The family does not have agricultural land.

When the case writers visited the household, three women, Gauri and her two daughters-in-law were weaving *pankhis* with skillful speed. Gauri replied to our questions without stopping work, so deft was she at her job! She was not shy and replied with ease. Gauri is about 60 and learnt the art of *pankhi* making from her parents in childhood. Later, she taught her daughters-in-law.

Pankhi making is a labour-intensive, time-consuming activity requiring flexibility of fingers, probably most suitable for women workers who can do it besides their daily household work. The work can be done the year round, but sometimes shortage of raw material, particularly in the monsoon season, is experienced. Therefore, Gauri has taken a loan of Rs. 1,000 from the RRB under the refinance scheme. She says that bulk buying provides her a price advantage.

There are six designs for *pankhis* with a little variation in colours in the borders. But special designs are made on specific orders. One branch of average size costs one rupee and on, an average, four-to-five *pankhis* can be made from one branch. Besides, there is the cost of leaves for vertical weaving (weft) and that for colour. The total cost, as per Gauri's estimate, is 30 paise. One worker normally makes 15 fans a day. The average comes to a dozen fans a day during a year. Gauri and her two partners make about 40 fans, requiring Rs. 12 by way of working capital every day. She makes purchases twice a month which means about Rs. 400 of working capital is needed in a month.

⁷ S.L. Bapna & P.M. Shingi

Though a *pankhi* can be made the year round, its demand is seasonal, i.e., during the months say April-October. It is mainly purchased by low-income households which cannot afford an electric fan. However, with the increasing supply of fans and higher income levels, the demand for *pankhis* from the lower middle-income group is declining.

As the demand is seasonal, one needs to build up stocks over six months for supplies during summer. This means a working capital need of about Rs. 2,500 for Gauri. When asked in what ways more credit could help her, Gauri replied that she would be able to make purchases in bulk and could store *pankhis* to be sold when the demand picked up. The price range experienced by her is between 50 and 75 paise per *pankhi*. Thus at an average price of 60 paise, storing and selling in the season could provide about 20-25 per cent extra returns.

As noted above, 40 *pankhis* can provide a net return of about Rs. 15 per day for three persons' work. This can be enhanced by providing finance for storing, which is done at present by the trader. The cost of finance is 10 per cent (for a soft loan) and finance is blocked for six months. A five per cent cost is involved; storage being done in one's own house, assuming that space is available. Finance for Gauri can boost her activity but there are some factors to be taken into account:

- a. Competition can bring down the margins.
- b. Demand prospects do not seem to be very bright.

There is another avenue for increasing earnings. The *pankhis* are collected by traders from nearby town who transport them to Ahmedabad and Delhi where they are sold at Rs. 1.00 –1.25. The cost of managing marketing is not known, but looking to the demand prospects there does not seem to be adequate scope for organisms a marketing institution. Since the consumer segment is poor people, the chances for extra income by value addition in terms of designs are not bright. Very soon, Gauri may be out of business.

Section VII

Reference Sheets and Fact Sheets



This section provides information about important addresses and information required to support your “Marketing Efforts”

Centre for Bhartiya Marketing Development¹

(A Unit of Swadeshi Jagran Foundation)

OBJECTIVE

- To make artisan community realize the necessity of expanding their markets.
- To help artisans enter export field.
- To acquaint them with basic knowledge and skills of Export.
- To learn the procedures and documentation of export business.
- To show them the avenues and agencies, which promote Export.

Activities

- CBMD promotes and propagates extensively the use of Swadeshi Products.
- It functions as a forum for interaction between the consumers and manufactures.
- Facilitates Buyer-Seller Meetings.
- Works for Promotion of Swadeshi Bhandars.
- Aids in Market Research & Data Acquisition.
- *Designs Brand Networking.*
- Designs Quality & Packaging improvement programs.
- Organizes Conferences, Conventions.
- Aids in preparing Project Reports.
- Conducts Surveys & Studies.
- Aids in Network Creation (Distribution/Manufacturing).
- Initiates Policy Suggestions to Government/Semi Government Organizations/Regulatory Bodies.
- Activates Sales Promotion through various innovative methods.
- Intervenes for match making for technology transfer between R&D institutes and manufacturers.

CBMD NETWORK

Central Office

CBMD

2-Dr. Bishwambhar Das Marg,
New Delhi-110001
Phone: -011-3356311,3739308,
Fax: 011-3710150
email: swadeshi@del3.vsnl.net.in
website: <http://www.swadeshi.org/>

¹ www.swadeshimela.com

Reference sheet 2

Association and Organizations in Promoting Handicrafts

All India Handicrafts Board

The All India Handicrafts Board was originally set up in 1952 to advise the Government on problems of handicrafts and to suggest measures for improvement and development. The Board was also required to study technical, marketing, financial, organizational, artistic and other aspects of handicrafts and to formulate plans on these lines.

Its function also included advice and assistance to the state Governments for planning and executing schemes for the development of handicrafts.

State and Union Territories

Each State and Union Territory has a department looking after the development and promotion of handicrafts. Many states including, Arunachal Pradesh, Daman, Diu, Delhi and Goa have public sector corporations for marketing handicraft products.

A few state corporations dealing with small-scale industries and other products have taken up marketing and export promotion of handicrafts. Besides taking up direct exports, these corporations are also expected to guide and help private exporters.

Central Corporations/Bodies

a) The Handicrafts and Handlooms Export Corporation of India (HHEC) is a subsidiary of the State Trading Corporation of India, and came into existence in June 1962. The corporation's policy in the field of direct exports is designed to develop new markets and expand traditional ones and to introduce new products suitable to the needs of the consumers abroad.

The Corporation undertakes and executes wholesale orders, conducts retail sale operations through retail shops abroad, and participates and sells in major exhibitions of the world. HHEC also helps private exporters by affiliating them as business associates. It undertakes a number of publicity and promotional measures for the export of handicrafts and handloom products.

(b) The Central Cottage Industries Corporation, Pvt. Ltd. is a registered society, which had taken over from the Indian Cooperative Union. It runs the Central Cottage Industries Emporium (CCIE) at Janpath, New Delhi, and the premier sales organization in Indian handicrafts.

The CCIE has branches at Bombay, Calcutta, Madras and Jaipur.

(c) The All India Handloom Fabrics Marketing Cooperative Society Ltd., (56-58 Mittal Chambers, 5th Floor, Nariman Point, Bombay, India.), is sponsored and supported by the All India Handloom Board. This Cooperative runs handloom houses in Bombay, Delhi, Madras, Calcutta, Ahmedabad, Chandigarh, Hyderabad, Ernakulam, Vadodara and Vishakapatnam.

It also has branches abroad in Lagos, Singapore, Kualalumpore, New York, Mauritius and Hamburg.

All India Associations

India has All India Organizations for three of its most popular handicrafts items; hand printed textiles, carpets and zari. These Associations serve as a platform for consultations among the manufacturers and exporters on one hand and the Handicrafts Board on the other.

The Board uses these Associations to disseminate information useful to crafts.

(a) All India Carpets Manufacturers Association; Post Box No. 63, Bhadohi, District Varanasi, Uttar Pradesh, India.

(b) All India Federation of Zari Industry; Safe Deposit Chambers, Surat, Gujarat, India.

(c) All India Textile Handprinting Industries Federation, 1106 Prasad Chambers, Swadeshi Mill Estate, Bombay, India.

Social- Voluntary Organizations

A number of social organizations including non profit making registered societies and cooperatives support the field of handicrafts. Their principal aim is to provide work to the poor craftsmen. Many of them run training cum production centres, while others are concerned with marketing. Certain voluntary organizations are running Regional Handicrafts Training Institutes for Women, under the All India Handicrafts Board.

(a) Handicrafts Teacher's Training College (The Arts and Crafts Society), Adarsh Nagar, Worli, Bombay, India.

(b) Regional Training Institute of Handicrafts (Bharat Sevak Samaj), Dharwar, Maharashtra, India.

(c) Regional Handicrafts Training Institute for Women, (Andhra Mahila Sabha) Vidya Nagar, University Road, Hyderabad, India.



(d) Regional Handicrafts Training Institute for Women, (Karma Kutir) 32 Ballygunge Palace, Calcutta, Bengal, India.

Reference sheet No 3

SOCIETIES UNDER ADMINISTRATIVE CONTROL OF DC (HANDICRAFTS)

Indian Institute of Carpet Technology, Bhadohi (IICT)

- Conducts Industry driven short-term courses in all relevant areas for the carpet industry.
- Conducts B.Tech course in Carpet and Textile Technology, which is recognized both by AICTE, New Delhi and UP Technical University, Lucknow.
- Provides testing facilities in yarn composition, fibre blends, colour matching and dying, carpet testing etc.
- Conducts R & D in relevant areas in consultation with industry and also under takes specific consultancy assignments.
- Provides carpet designs to the industry.
- Conducts training in CAD, weaving, finishing, dying etc.
- Satellite centres of IICT at Srinagar and Jaipur are proposed.

Metal Handicrafts Service Centre (MHSC), Moradabad

- Provide Common Facility Services to the art metal ware industry of Moradabad in postproduction finishes.
- Provides training in finishing technologies.
- Provides testing facilities for metal and finishes.
- Consultant for restructuring appointed to make MHSC commercially and economically viable, self-sustainable and to fulfill the requirement of metal industry as per global market demand.

□

National Centre for Design & Product Development (NCDPD)

- Located at Okhla, New Delhi with branch office at Moradabad
- Registered as society under Societies Act, 1860 with DC (HC) as its Chairperson and a member from trade as Co-Chairperson. The objective of the centre is to meet design and technology related needs of hard goods sector.

Bamboo & Cane Development Institute, Agartala

- Being restructured to meet the entire need and requirement of bamboo industry in global context in the areas of HRD, technology up-gradation, R&D and common facility services.
- NID is coordinating the entire restructuring plan including training programme.
- SFC proposal under submission/ consideration. The syllabus for training programme for skill up-gradation of artisans restructured completely and made more broad based and training programme commenced. Proposed to be registered as autonomous society under Societies Act, 1860.

Export Promotion Councils

1) The All India Handicrafts Board: (West Block VII, R.K. Puram, New Delhi- 110022). This board acts as a Commodity Board for handicrafts and has an Export Section with a Deputy Director (Exports) in charge. The Board collects and disseminates information, arranges exhibitions, sponsors sales and study teams, and invites foreign buyers. The regional offices of the Board handle registration and process requests for any specific export promotion measures.

2) The Gem and Jewellery Export Promotion Council: (D-15, Commerce Centre, 4th Floor, Tardeo Road, and Bombay- 400001)

The council aims at providing facilities and incentives regarding the exports of pearls, precious and semiprecious stones, diamonds and synthetic stones; to assist in improving and modernising of the jewellery craft of the country.

3) The Handloom Export Promotion Council : (123, Mount Road, Madras- 600006) It superintends the export promotion of Indian Handlooms in the country.

4) The Handicrafts and Handlooms Export Corporation of India: (Jawahar Vyapar Bhavan, Anex-I, Tolstoy Marg, New Delhi 110001). A government of India undertaking, it supplements the export efforts of the private sector, besides exporting directly. It undertakes various export promotional and developmental measures such as publicity and Indian participation in foreign exhibitions, and invites reputed designers for advice and assistance. It also has branches, showrooms and warehousing depots abroad.

5) The Indian Institute of Foreign Trade: (Ashoka Bhavan, 93 Nehru Place, New Delhi- 110024). Besides training courses for export executives, this Institute carries out surveys of various markets and publishes them.

6) The Trade Development Authority of India: (Bank of Baroda Building, 16 Parliament Street, New Delhi- 110001). Handicrafts and garments are included in its trade promotion activities among other items.

It also has offices in New York, Frankfurt and Tokyo. Besides inviting buyers, it arranges buyer-seller meets in selected markets.

7) The Export Credit Guarantee Corporation: (Head office: Express Towers, 10th Floor, Nariman Point, Bombay-400001). It provides export credit intelligence and issues, covers against risks. It also has branches in Delhi, Calcutta, Chennai and Cochin.

8) The Export Inspection Council: (14/1-b Erza Steet, World Trade Centre, Calcutta- 700001). This Council has especially been set up to ensure the quality control and Pre- shipment Act.

The Council has also set up a number of Export Inspection Agencies.

9) The Federation of Indian Export Organisation: (Allahabad Bank Building, 17 Parliament Street, New Delhi-110001). It is a non-profit servicing institution, set up jointly by the Government, industry and trade. FIEO is an apex forum coordinating and supplementing the insitutions. It also gives special attention to the export promotional activites of small sector including crafts.

10) The Trade Authority of India: (Pragati Maidan, New Delhi-110001) The TFA is an autonomous organisation established by the Government of India as a company. Started in March 1977 it has today become a highly effective organisation giving a new orientation to the country's trade promotional activities. It unifies policy direction, controls and implements programmes of India's participation in fairs and exhibitions, both in India and abroad. Handicrafts continue to recieve the special attention of the TFA.

Reference Sheet 5

Regional Officers and Addresses for The Office of Development Commissioner Handicraft

S.No.	Name	Address	Telephones / Fax / Email
1	Sh S.Bhattachariya Regional Director [Central Region]	Office of the DC [Handicrafts] B-46, J.Park Mahanagar Extension, Lucknow Uttar Pradesh - 226 006	91-0522-328142 / 329759 / 331024 Telex: 91-0535-2442 SLIP IN Fax: 91-0522-375085 Email:
2	Sh A.R.Choudhary Regional Director [Northern Region]	Office of the D.C [Handicrafts] West Block 8 R.K.Puram New Delhi - 110 066	91-011-6175784 / 6109760 Fax: 91-011-6168479
3	Sh A.K.Handoo Regional Director [Southern Region]	Office of the D.C [Handicrafts] Shastri Bhavan 3 rd Floor 26, Haddows Road Chennai - 400 001	91-044-8276321 / 823790 Fax: 91-044-827007 Email:
4	Dr. P. Narayanan Regional Director [Western Region]	Office of the D.C [Handicrafts] 204, P.Nariman Street Harron House [3rd Floor], Fort Mumbai - 400 001	91-022-2661959 / 2663854 Fax: 91-022-2660911 Email:
5	Sh S.K.Sinha Regional Director [Eastern Region]	Office of the D.C [Handicrafts] DF-Block, MSO Building Salt Lake City Calcutta - 700 064	91-033-3345403 / 3346744 Fax: 91-033-3345601
6	Sh L.Hatzaw Regional Director [North-Eastern]	Office of the D.C [Handicrafts] Kalyanpur Ganesh Gauri Guwahati - 781 006	91-0361-560174 / 566123 Fax: 0361-560174

REFERENCE SHEET 6

List of Marketing Organizations

Asha Handicrafts Association is an association of voluntary professional men dedicated to helping craftsmen physically, financially, spiritually and ecologically through its Resource Center and interrelated programmes. The Team of Asha Welfare Workers stationed at different Producer Groups and cooperatives move closely along with the craftsmen and their families sharing skills and extending medical help and education gratis irrespective of caste and creed. ASHA in Sanskrit means "Hope" and Asha brought hope into what was largely a "hopeless" situation by providing a marketing outlet to the actual craftsperson. From the beginning, Asha's thrust has been the development of the craftsperson in his natural environment through various development projects designed to meet the needs and standards of overseas markets. Asha today assists directly and indirectly over 103 producer groups and 5,000 craftsperson.

Address:

28, Suren Road

Andheri (east)

Mumbai

Maharashtra - 400093, INDIA

Main Contact: Mr. Lucas Caldeira

Technical Contact: Mr Christopher Raphael

Phone: 91-22-6718347, 6704944/4481

Fax: 91-22-6289992

Email: partner@bom3.vsnl.net.in

KeralCraft

A Portal for Traditional Industries of Kerala

KeralCraft is a project undertaken by Keltron for the development of traditional industries of Kerala. As part of this project an E-Commerce portal for selling products of Grass root level producers in Kerala is being setup. This will create a new International market for their products. The traditional industry in Kerala was based on the locally raw material available like timber, bamboo, coir, coconut, cashew, clay etc. Most of the products are handicraft products and have tremendous artistic value apart from the utility value. Being based on nature, all the products are environment friendly. More importantly, they reflect the rich culture and heritage of Kerala.

About Keltron:

Keltron (Kerala State Electronics Development Corporation Ltd.) is a public sector organization working for over two and a half decades in the field of electronics and information technology. Keltron has been working on few ICT related projects in the area of e-governance and using information technology for rural and marginal communities. One of them has been creation of a network of sustainable Internet access points through out the state of Kerala. These access points act as interface between people of that location and people around the world. It provides access to information and market and a point to publish information that the people have.

Address:

Keltron House, Trivandrum, Kerala, 695033, INDIA

Main Contact: KeralCraft SBU

Technical Contact: Admin, KeralCraft

Phone: 91-471-724444

Fax: 91-471-724545

Email: customerservice@keralcraft.com

PARAMPARA is Marketing Facilitation Company, which is working for the promotion of rural crafts in the state of Rajasthan, India. We are working with collective of artisans be it Self Help Groups of artisans, or an informal alliance, small NGO and Producers co-operatives. Till now we have worked with about 30 artisans groups and NGOs and have tried to provide them market services. PARAMPARA serves as an exporter for these small artisans groups on a cost-sharing basis and employed fair trade practices as part of its social commitments. The product portfolio that PARAMPARA has taken up consists handicrafts & giftware.

Email Id is info@paramparaindia.org

D-94, Pawan Path

Hanuman Nagar

Vaishali nagar

Jaipur

Rajasthan – 302021

INDIA

Main Contact: Vishal Choudhary

Technical Contact: Vishal Choudhary

Phone: +91-141-352038

Fax: +91-141-352038

Self -Help Association for Rural Education And Employment

Founded in 1991 and registered as a society in 1992. SHARE - Self- Help Association for Rural Education and Employment is community based organisation committed to women development in kaniyambadi, Anaicut and Vellore Blocks of Vellore District of Tamilnadu.

Address:

33-a, Vellore, Tamilnadu, INDIA
Main Contact: Mr. K. MURUGESAN
Technical Contact: Mr. Shanmugasundaram
Phone: 91-416-264018
Fax: 91-416-263524
Email: craftswomen7@yahoo.com

SHILPA TRUST

Shilpa trust has more than 150 beneficiaries of the trust, it gives me great pleasure to present this 8th Annual Report of SHILPA Trust for the year 1999-2000, covering our activities such as Product Development, Marketing Service (both Domestic and Export), Design Development.

Address:

No.146, 1st main 2nd Cross 3rd phase
Manjunatha Nagar
Bangalore
Karnataka, INDIA
Main Contact: Mr. M. Bhupathi
Technical Contact: Mr. S. Srinivas
Phone: 3306773\3353928
Fax: 3306773
Email: shilpatrust@net4india.com

Sasha¹ is a not-for-profit marketing outlet for more than a hundred groups of craftspeople and producers from all over India.

At Sasha, producer groups are actively involved in the total marketing process - from the pricing of the product to the nature of the Sasha shop, and thus the role that Sasha will play in their lives. By establishing alternative trade practices and emphasizing group participation.

Some Sasha's values and targets are:

- Emphasize development rather than profits.

¹ To read more about Sasha, log on to web site www.sashaworld.com.

- Revive handicrafts and support artisans.
- Help producer groups to become economically viable.
- Assist groups through their formative stages by helping them set up systems and procedures.
- Develop inherent skills and diversify the product range through research, design and technical development workshops.
- Organize exhibitions in such a way, as to make the customer aware of the 'human resources' behind the product.

Forge links with groups that produce similar products so that they may work together.

Sasha retail & wholesale

27, Mirza Ghalib Street, Kolkata 700016
 Phone : 91 33 2451586
 Timings: Monday - Saturday, 10:00 am - 7:00 pm
 Sunday, 10:00 am - 1:00 pm

Sasha wholesale

2041 HAL 2nd Stage
 17th Main, 1st Cross, Indira Nagar
 Bangalore 560008
 Phone: 91 80 5261915

Sasha Exports

1C, Chatubabu Lane, Calcutta, West Bengal, 700014, INDIA
 Main Contact: Subhasini Kohli and Roopa Mehta
 Technical Contact: Pravat De
 Phone: +91 33 2449761
 Fax: +91 33 2449776/4756657
 Email: sasha@qiascl01.vsnl.net.in

Sunderban Khadi & Village Industrial Society

Sunderban Khadi & Village Industrial Society (SKVIS) was formed in the year 1978 by five rural women of the Purba Dihgirpar Village, to overcome the socio-economic problems of the people living below the poverty line, through women development activities. Keeping in view the above, the same five women shoulder the responsibility and raised Rs. 800/00 from their own sources, to start some activities for the women in their villages, then 4 more women joined and

decided to get it registered under West Bengal Societies Act, and was registered in the year 1978.

Address:

28/21 Dhakuria Station Road, Calcutta, WB, INDIA

Main Contact: Mr. Prakriti Roy

Technical Contact: Mr. Prakriti Roy

Phone: 033.4141697

Fax: 0321860435

Email: prakriti@cal2.vsnl.net.in

SIPA² is the collective initiative of Voluntary agencies involved in Income Generation Programmes in South India.

SIPA offers professional support and back-up services in Marketing, Training, Capacity-building, Information-sharing, Management-support and consultancy.

SIPA's philosophy is to facilitate People's initiatives through "**Learning by Sharing**" towards mutual support and socio-economic development of the Needy.

Contact:

HD Raja Street, Eldams Road, Teynampet, Chennai, Tamilnadu, 600018, INDIA

Main Contact: K. PANCHAKSHARAM (PANCHU)

Technical Contact: PL. RAMASAMY (RAM)

Phone: +91-44-4352313 / 4353084

Fax: +91-44-4342326

Email: sipa@vsnl.com

Sahayata³

We are an organization working for Gender Equality and Economic Stability for the Deprived including Physically Handicapped people of the society. Sahayata was started by a group of social workers and established social-minded professionals having an experience up to 20 years in the field of Fair Trade Activity, in response to the need of the Economically Deprived and Oppressed Women and the Physically Handicapped of the Society.

The organization was founded in the form of a Society under the State Govt. Societies Registration Act where Governing Body has all the powers including

² For more details look into our Website : www.sipacrafts.com

³ For more information and products, please visit us at www.sahayata.org

setting the organizational policy and goals. It has the Chairman on the top followed by the Vice-Chairman, Secretary, Treasurer and other members. The Director is the Chief Professional who administers day-to-day functions e.g. General Administration and Production. The main object of this organization is to make these disadvantaged groups of the society economically self-reliant.

To achieve this goal the organization has started with production of various types of handicraft items such as:

- Artistic Perfumed & Non-Perfumed Candles
- Incense Sticks, Cones, Cubes, Blended natural Essential Oils
- Soft Toys, Home Decoration / Utility items made of soft toys e.g. Curtain Holder etc.
- Kantha Stitched / Hand Embroidered Items like Cushion Cover, Table Mat etc.
- Neem products e.g. Insect Repellent Candle, Toilet / Liquid Soap, Floor Cleaner etc.
- Expeller Grade Neem Oil
- Hand Printed Greetings Cards
- Packaging of Organic / Regular Tea

Address:

170, Sarat Ghosh Garden Road, Calcutta, West Bengal, 700 031, INDIA

Main Contact: Dhirananda Biswas

Technical Contact: Dhirananda Biswas

Phone: + 91 33 467 0218

Fax: + 91 33 467 6055

Email: sahayata@sahayata.org

Tara Projects⁴

(Trade Alternative Reform Action Projects)

Tara Projects started working in the field of alternative production & marketing in seventies to generate regular work and fair income to its member producers groups, artisan's societies and extended families of craftsmen in Delhi area. In early nineties Tara Projects Registered Trust was formed to provide support services to the production & marketing of handicrafts on fair trade lines and to look after the community developmental needs of grassroots crafts-people to help them gain awareness, rights and human dignity in an area of approx 200 kms in and around Delhi in north India.

This work is now done by Tara Projects Association registered under the Societies Registration Act of 1860. The production & marketing wing Tara Projects is responsible for production, marketing, information-sharing, capacity building program & design assistance. The project seeks to combat exploitation & poverty through fair trade, rallies, education and proper development of crafts-communities.

⁴ <http://www.taraprojects.com>

**148, Sukhdev Vihar, Mathura Road
New Delhi-110 025 (INDIA)
Telephones: 2683 9721, 2691 8037, 2691 8040
International Fax: +91 11 2683 8885
E-mail: tara_projects@mantraonline.com**

tara.delhi@gems.vsnl.net.in

USHAEXIM

Usha was launched as Private Limited Company, Usha Exim (P) Ltd., in mid Nineties to bring Quality-Fair Products and Novel Handicrafts to the World markets. The aim of quality and fairness is being achieved through its efficient work to provide good business deals in the best interests of the Craftsmen and Buyers. The success deals in the best interests of the Craftsmen and Buyers. The success of the Company is constantly monitored with the indicators of the satisfaction of all the stakeholders. The maximum importance is given to the esteemed buyers and consumers taking this as a tradition and advancement of the business operations together.

Usha with the aim of experience oriented maturity Usha started with its quality production of Soapstone Handicrafts in the clean & green production facility of Agra Baazar. The essence of Quality and Fairness soon substantiated into a successful export business. Gradually, other Craftiness were added and Usha transformed into 'Center of Indian Traditional & Novel Handicrafts Under One Roof' in Soapstone, Iron, Wood, Home Furnishings, Jewellery and Rajasthani Colonial - Traditional Crafts and Accessories.

Address:

USHAEXIM
244, Okhla Industrial Estate, Phase III, Mathura Road, New Delhi, 110 020
Main Contact: MANMOHAN SHASTRI (GOOD-DO)
Technical Contact: MOHAN SHARMA
Phone: +91+11+2632 6028, 2691 8033, 2631 8492
Fax: +91+11+2631 8493
Email: ushaexim@vsnl.net, ushaexim@spectranet.com

International Foundation for Fair-trade And Development (IFFAD)

International Foundation for Fair-trade And Development (IFFAD) is a non-profit organization, established in July 2000 and registered under Section 25 of the Companies Act of 1956 (INDIA). Its Head quarter is in Chennai (India).

Organisations involved in alternative trading, Income Generation activities, Development activities and Self Help Groups (SHGs) are intended to be members of IFFAD. Membership is sought through share holding only. Membership will be on an International level, which means both NGOs / Groups in India as well as ATOs / Buyers outside India can become members. In

addition to promoters, representatives of producer groups and ATOs (buyers) can become Board of Directors of IFFAD. IFFAD as locus organization will strive to promote the prosperity of its members through market facilitation and developmental activities.

IFFAD believes in Co-operation, Collaboration, Co-creation of products / services and Openness in trading and developmental relationships for becoming prosperous. IFFAD aspires to become a value added linking entity between buyers and producers of the world. IFFAD perceives that the producers, buyers and IFFAD will be partners by contributing their respective resources and competencies for maximizing each other's welfare and minimizing resource dissipation. IFFAD envisions a co-operative and collaborative trading and developmental system with utmost faith in participative approach

Producer centered mission

- To help the producer groups in getting regular orders and in receiving fair price for their goods.
- To help the producer groups to become self reliant, socially & economically.
- To help the producer groups in developing innovative /market based products to become self reliant, socially & economically.

ATO / Buyer centered missions

- To reinforce the ATOs (buyers) efforts in marketing the products of the producer groups through supply chain management and effective logistics.
- To extend all possible help in promoting the products of producer members.

Portfolio centered missions

- To share the cumulative and collective experiential knowledge gained in fair trade, with buyers, producer groups and other non-trading organisations.
- To develop a resource point for collecting and disseminating valuable information related to fair trade and development.
- To undertake need-based research and training projects related to occupational development and personal growth of producer groups.
- To carry out all the activities with reliability and quality.

IFFAD is a non-profit organization working for the benefit of the disabled producers, rural producers and traditional artisans of INDIA. Proving marketing, supply chain management and quality improvement services are the main business of IFFAD.

Address:

W-124, 3rd Avenue, Anna Nagar, Chennai, TN, 600040, India

Main Contact: Dr. V Purushothaman

Technical Contact: Sasikanth R Prabhu

Phone: 91-44-6280575

Fax: 91-44-6204949

Email: iffad@vsnl.com

ALL India Movement For Seva⁵:

As part of its commitment to cultural validation in rural and tribal areas, AIM for Seva has initiated a project to promote the traditional art forms of India. Since many of these art forms are being eroded due to increased mechanization and low wages, our commitment is to ensure that the artisans upholding these traditions are supported and that the youth are encouraged to carry on the work of their ancestors.

Rural and tribal artisan communities face increasing difficulties in continuing their traditions. As most artisans are also engaged in agricultural work, they rely heavily upon revenue from the production of handicrafts during the off-season, and especially during times of drought. Women do the majority of both agricultural labor and handicraft production in the rural areas. The daily wages for women artisans are very low, and the money earned from the sale of their handicrafts stays with the middlemen who employ them.

A key component of the AIM Handicrafts Project is sustainability, which is assured through the following objectives:

- AIM purchases handicrafts directly from the artisans so that there is no middleman involved. This means that the artisan gets a much higher price for their products and can thus reduce the hours worked per day. Commensurate income also encourages the youth to carry on the traditions.
- AIM networks the existing networks of artisan cooperatives, non-governmental and governmental agencies working in the field of handicrafts. As there are already numerous good programs for supporting rural artisans, AIM coordinates these organizations and facilitates stronger links between them for optimum utilization of resources.
- With the assistance of premiere design institutions of India, AIM coordinates design enhancement and product upgradation trainings for the

⁵ <http://www.aimforseva.org/india.htm>

artisan communities to ensure wider marketability of their handicrafts. The key components of these training programs are:

1. Provision of high quality, natural raw materials
 2. Upgrading the product standards for marketability and durability of the product
 3. Provision of quality equipment to the artisans for optimum production.
- AIM provides marketing of the handicrafts on both national and international levels through exhibitions, corporate sales, website, and wider distribution to retail outlets.
 - Proceeds generated from the sale of these handicrafts are reinvested in the project for purchasing more handicrafts and establishing other related programs in areas of environmental preservation, women's empowerment, and vocational training.
 - AIM produces educational and promotional materials, (including videos, posters, brochures, greeting cards, and calendars), which highlight the importance of supporting the indigenous cultural traditions of India and ecologically sustainable methods of handicraft production. These educational materials are displayed at all AIM Handicraft exhibitions so that the distributors and consumers of the handicrafts are well informed of the rich traditions they are helping to support.
 - By establishing self-help groups for women artisans and linking them with the micro-credit programs of AIM for Seva, we assist the women in assuming leadership roles within their communities in order to have greater control over their environmental conditions. To this end, the self-help groups also involve reforestation programs so that the women are directly involved as the caretakers of their natural surroundings and their means of fuel and fodder. This also impacts the availability of water resources, as reforestation reduces soil erosion and helps to replenish groundwater supplies.
 - The training programs of AIM help to resuscitate and strengthen traditional methods of using natural dyes and fibers in the manufacturing of handicrafts. This not only maintains healthy environmental conditions, but also provides a livelihood for villagers who can be trained to grow and collect plant materials used for natural dyes.

Additional jobs will be created for finishing, labeling, and packaging of the handicrafts.

Fact sheet 1

Handicrafts

The handicrafts sector has a special significance in the country's economy in terms of employment generation as well as earning of foreign exchange through exports. It is estimated that during the 9th Plan period, employment in the handicrafts sector increased from 52.92 lakh in 1997-98 to 58.41 lakh by the end of the Plan. The office of the Development Commissioner for Handicrafts has been implementing several schemes for the development of this sector. The schemes aim at design and technical upgradation, export promotion, marketing support and services, research and development and training and extension.

An important initiative taken by the Government has been the launch of a new scheme: Baba Saheb Ambedkar Hastshilp Vikas Yojana (AHVY) during the year 2001-02. This scheme aims at promoting Indian handicrafts by developing artisans' clusters into professionally managed and self-reliant community enterprises on the principles of effective member participation and mutual co-operation. The package of support under AHVY has social, technological, marketing, welfare and financial components. During 2001-02, 222 project proposals were sanctioned under the scheme involving an expenditure to the tune of Rs. 355.62 lakh. For the year 2002-03, the outlay for this scheme was Rs. 880 lakh.

Export earnings from handicrafts including hand-knotted carpets were to the tune of Rs. 5835 crore during the first year of the 9th Plan. It increased to Rs. 9205.63 crore during the terminal year of the Plan. The export target for the year 2002-03 was Rs. 10,470 crore. Exports to the extent of Rs. 7511.42 crore had been achieved by December 2002 itself.

Sericulture

India continues to be the second largest producer of silk in the world. It produces all the four varieties of silk, namely, mulberry, eri, tasar and muga. Sericulture is an important, labour-intensive and agro-based cottage industry providing gainful occupation to more than 5 million people. Silk production increased from 7600 metric tonnes (MT) in 1985 to 17347 MT in the year 2001-02, and the estimated production during 2002-03 is 18700 MT. Silk items being exported comprise natural silk yarn, fabrics, made-ups, ready-made garments, silk carpets and silk wastes. The earnings from exports of these items amounted to Rs. 2235.38 crore during 2001-02.

Woollen Textile Industry

The woollen industry in the country is comparatively small in size and widely dispersed. Most of the units are located in Punjab, Haryana and Rajasthan. Some of the larger units are located in Maharashtra, Punjab, Uttar Pradesh, Gujarat and West Bengal. There are 718 registered woollen units in the country. The number of persons employed in this industry is approximately 12 lakh.

The production of indigenous wool in the country is estimated to have risen from 47.91 million kg in 1999-2000 to 52.11 million kg in 2001-02. Since indigenous production of fine quality wool required by the organised mills and the decentralised hosiery sector is very limited, India depends largely on import, mainly from Australia. New Zealand wool, which is rich in lustre, is imported primarily for the carpet sector. The total imports of wool during 2000-01 and 2001-02 were to the tune of 53.75 million kg and 72.49 million kg respectively. (PIB Features)

Fact sheet 2

EXPORT PROMOTION MEASURE TAKEN BY EPCH /CEPC DURING 2002- 03 (Till December 2002) Export Promotion Council for Handicrafts

- Organized 1st Indian Furniture, Floorings & Accessories Show for Handicrafts at Pragati Maidan, New Delhi during 8-11 April, 2002.
- Participated in Hong Kong House ware week, Hong Kong during 16-19 April, 02.
- Participated in Hong Kong Gift & Premium week, Hong Kong during 23-26 April, 02.
- Participated in Osaka International Trade Fair, Japan during 2-6 May, 02.
- Participated in International Spring Fair, Dubai, UAE during 5-10 May, 02.
- Participated in Gift fair International, Melbourne, Australia during 7-9 May, 02.
- Participated in International House ware Show, Japan during 19-21 June, 02.
- Participated in International Autumn Fair, Birmingham (U.K.) during 1-4 September, 02.
- Participated in MACEF-Autumn-02, Milan (Italy) during 6-9 September, 02.
- Participated in Ambient Arabia, 2002, Dubai, UAE during 23-26 September, 02.
- Organized Indian Handicrafts & Gift Fair (Autumn)-02 at Pragati Maidan, New Delhi during 13-16 October, 02.
- Participated in FAME, Manila, Philippines during 21-24 October, 02.
- Participated in 10th Asian Gift & Premium Products Show, Hong Kong during 18-21 October, 02.
- Participated in China, International Handicrafts Exposition, China during 22- 26 October, 02
- **Activities undertaken by EPCH**
- Indian Handicraft & Gifts Fair-Autumn 2002 from 13-16 October, 2002 along with 920 participated displayed of all Handicrafts Products. Approx. 3000 buyers have been registered during the

fair. Handicrafts exporters have been booked order of handicrafts products is approx. Rs.850 crore.

- Asian Gifts Premium & Household Product Show-Hongkong from 18-21 October, 2002. The Council has arranged participation of 21 Indian exporters in the show and displayed all Handicrafts Products.
- Fame Manila-Manila (Philippines) from 21-24 October, 2002. The Council's participation as a promotional booth of forthcoming Indian Handicrafts & Gifts Fair-Spring 2003.
- China International Handicrafts Exposition –China from 22-25 October, 2002. The Council has arranged participation of 4 Indian exporters in the show and displayed handicrafts products.
- EPCH organized the First Folk Craft Festival of India at Caracas (Venezuela) from 24th October-3rd November 2002 along with 16 participants and displayed their products. The festival received overwhelming response.
- Workshop on UL certification & ISO 9000 & 14000 was held at EPCH House on 14th December, 2002. 26 member exporters attended the workshop.
- Workshop on Newer Export Promotion Measures held on 24th December, 2002 at Jodhpur.

CARPET EXPORT PROMOTION COUNCIL

- Organized a seminar on Export Promotion from J&K at Srinagar on 27.6.2002.
- Displayed improvised tools & equipments developed by IIT, New Delhi under UNDP carpet project in Srinagar.
- Organized a seminar on Status of Woollen Carpet Industry and its future at Jaipur on 17.8.2002 which was inaugurated Hon'ble Minister of Textiles.
- A four-member market study team was deputed to South Africa to study the market in July 2002.

Activities undertaken by CEPC

- India Carpet Fair from 13-16 October, 2002 at New Delhi. 60 participants displayed their merchandise. 350 overseas buyers visited apart from buying agents. Business likely to generate around Rs. 100 crore.
- A Buyer Seller Meet in France from 23 to 24 October, 2002. 8 participants displayed their merchandise.
- A Buyer Seller Meet in London (UK) from 27-28 October, 2002. 13 participants displayed their merchandise.
- A workshop in collaboration with EPCH, India Merchandise Mart and EUPEA was organized at Varansi on 28th December, 2002
- A workshop in collaboration with EPCH, India Merchandise Mart, AICMA and
- AICTFC was organized at Bhadohi on 29th December, 2002.
- CEPC participated in First Folk Craft Festival of India at Caracas (Venezuela) from 24th October-3rd November, 2002.
- 13 carpets developed under UNDP carpet project were displayed. Apart from this, demonstration of carpet weaving was also arranged.

UNDP PROJECTS

a. Carpet project

- The project aims to promote employment and income generation in hand-knotted carpet industry with special focus on value addition, design development and improvement in technology and post weaving processes including use of vegetable dyes in carpet manufacturing to augment the exports. The total outlay of the project is Rs. 990.86 lakh in which the GOI contribution is Rs. 485.00 lakh. The project commenced in December 1999 and would conclude in March 2003. The progress achieved in the project being implemented through different agencies is as under:-
- IIT-Delhi has developed improved looms, hand tools, moisture measuring device, washing, squeezing and drying chambers for use in the carpet industry. These tools and equipments were displayed in demonstration cum awareness training programme at Bhadohi, Jaipur, Mirzapur, Gopiganj and Srinagar during 2001 and 2002. Suggestions and feed back received during this programmes from weavers, manufacturers and exporters were incorporated and modifications were carried out.
- The Looms and tools have since been validated and are under production for distribution to the weavers through Carpet Export Promotion Council. The remaining equipments were put for final validation at Bhadohi etc. but, they still need some improvements as per feed back received from the industries and IIT has accordingly been advised to carry out further improvement to make the acceptable to the actual users in an industry. It is expected that final version will come during November 02.
- Wool Research Association, Mumbai was working on standardization of extraction procedure of dyes from locally available natural colour yielding raw materials. WRA so far, conducted three workshops on use of natural dyes, one at Jaipur, two at Bhadohi and 206 persons were trained. Developed 100 fast shades for carpet with natural dyes.
- The work of design development was carried out through NIFT, Delhi in two phases. During 2000-01 under phase-I, 167 designs were developed for European/US Market, similarly during 2001-02, under Phase-II, 200 carpet designs have been developed for US Market and displayed in Atlanta/Muba- Basel Fair during January-02. Under Phase-III, 17 Designers have been engaged, who are developing 170 ethnic new designs for carpet, which will be displayed in Atlanta Fair, January-03 and Carpet Fair, Feb-03.
- IICT has completed procurement and commissioning of CAT system (4 work stations with software) and colour matching equipment. The staff has been given training on two occasions and final training is to commence soon. IICT is expected to start short-term training course for designers in Computer-aided-Designing and organize training of artisans in carpet weaving by November-02.
- Carpet Export Promotion Council participates in various marketing under the project. The following events were organized so far:-
 1. Participated in Atlanta Rug Show, 19-22 July, 02.
 2. Participated in Domotex Fair in January- 02 and Atlanta Rug Show in US in Jan- 02.
 3. The Development of new design for Atlanta Rug-Show in US in Jan-03.

A seminar cum interactive workshop on achievements made under the project including development of design, products and technology was organized at NIFT, New Delhi, 2002 16-17th December, 2002.

CANE & BAMBOO

Kerala Forest Research Institute has completed the survey for identification of cane & bamboo species suitable for handicrafts sector and has set up Gene Pool Bank and Tissue Culture Lab for providing planting stock to the farmers as well as training them in better farming techniques. For popularizing the cultivation of Bamboo & Cane KFRI Kerala has organized 22 training programmes on cultivation management and uses of Bamboo & Cane, established ten bamboo and three cane nurseries with the help of progressive NGOs and farmers and distributed nearly 1,00,000 seedlings planting stock and trained more than 832 farmers, NGOs and other users group.

Survey also completed by RFRI Jorhat in 13 districts of Assam and 5 districts of Manipur. 11 bamboos and 7 cane species collected during the survey has been planted in the bambustum and Canctum located at RFRI Jorhat. So far 8000 bamboo seedlings and 5000 cane seedlings have been raised at Jorhat and Imphal Nursery out of which 4500 bamboos and 2000 canes have beendistributed to farmers and entrepreneurs during the training programmes. So far 7 Kisan nurseries have been started. 674 farmers /entrepreneurs /NGOs on cane & bamboo nursery raising and plantation management technique have been trained in 15 training programmes. Two demonstration plots are being established at Jorhat and Dimapur districts.

- Two cane demonstration plots have been established at Chessa and at Sogalee by SFRI.
- SFRI has conducted 4 training programmes at Itanagar Naharlagun, Banderdeva and Roing on Bamboo and cane propagation and farming.
- IIT, Mumbai has developed a set of various hand operated improved tools, splitting machines, finishing and dyeing techniques etc, which has been demonstrated to the users group in a workshop at Guwahati. The artisans have validated these equipment and tools. 50 sets of improve by tool kits have been fabricated & distributed for training and use of the artisans' community. The trained instructors are imparting training to the artisans in the identified clusters and more than 600 artisans have been trained, repeated training has also been commenced from May 02. 400 sets of tool kits have been fabricated and are being distributed among artisans on the subsidized rates.
- Mobilization of Self Help Groups and Thrift & Credit activity in all 21 clusters begun. Necessary inputs/for development of the clusters is being provided in phased manner.
- 11 designers under the project (10 in North East & 1 in Kerala) have produced about 197 new designs prototypes in 1st phase, which was displayed in IHGF held at Pragati Maidan during 15-18 Oct., 2001. It has attracted most of the buyers and generated a large number of business inquiry. These are being made to translate them into the foreign export order. These designs have also displayed at Dilli Haat from 19-12-01 to

21-12-01 for getting feed back of buyer and designers etc. About 222 new design prototypes have also been developed by these designers in the 2nd Phase of design development activity

- 8 Common Facility Centers one in each state (7 in Northeast and one in Kerala) equipped with electrically/mechanically operated machines to provide facility for processing of raw material to the artisans/manufactures has been sanctioned and out of 8 CFCs 4 are being started functionally at Barpeta (Assam) Dimapur (Nagaland) Ziro (Arunachal Pradesh) and Gurchuk (Assam). This will not only remove drudgery but will save a lot of time of the artisans, which is otherwise wasted in non-craft activity like manual processing of raw material etc. This will result in improving productivity and quality. Some Indian fabricators have been identified who have developed electrically operated machines. IIT Guwahati has validated these machines.
- In addition to above, 21 Micro Common Facility Centers are being set up 1 in each cluster where 2 sets of working tools and hand operated processing machines is being provided. These will be used as a CFC by the artisans and help them in augmenting their production. Out of 21, 3 MCFC has already been set up by IIT-Mumbai at Diezhphe (Nagaland), Nalchar (Tripura) and Barpeta (Assam), IIT Mumbai conducted following workshops: -
- A design and training workshop has been held at Diezhphe from 17th to 23rd June 2002.
- A 2 day workshop on tools on 18&19 Sept. 2002 at BCDI, Agartala
- 3-Day workshop on Tool & Design at Nalchar, Tripura on 20.9.2002 to 22.9.2002.

The remaining would be functioned by November 02.

- Participated in Birmingham Fair (UK) during 3rd to 7th February and Muba Bazzel Fair at Switzerland during 22nd February to 3rd March 2002 where displayed the new designs developed by these designers and basketry items from NEHHDC and other furniture items developed by other designers.
- Participated in Birmingham Autumn Fare 02 & EPCH Autumn Fare October 2.

A seminar cum interactive workshop on achievements made under the project including development of design, products and technology was arranged at India Habitat Centre, New Delhi on 6- 7th November 2002.

Fact Sheet 3

Initiative to improve the Handloom & Handicraft Products of the Northeast: New Thrust To Economic & Social Development - A CII Study

In a new venture with NEDFi, CII completed a study on Handloom and Handicraft sectors in NorthEast, to understand the potential of this sector in harnessing social and economic growth in the NorthEast region.

Some of the major findings from the study are as follows:

The producers: Artisans

- The literacy rate among the artisans is higher than the average rate recorded for the North Eastern region.
- Sex ratio (number of women per thousand men) is higher among the artisans compared to that for the North Eastern region as a whole.
- Land endowment of the artisans is much lower than the corresponding state averages
- Every 14th person in the North Eastern region is dependent on handloom and handicraft products for livelihood.
- On an average 80% of the income of those engaged in handloom and handicraft sector comes from this sector.
- However, handloom and handicraft sector provides more than 90% of livelihood to around 61% of the artisanal households in North East.
- The average artisanal unit derives 60% of its labour demand from within the household.
- The share of raw materials in the value of the product is around 30%, ranging from a high of 42% to a low of 5% depending on the category of products.
- The extent of value addition as a percentage of prices earned by the artisans is around 32%.
- The difference between the average price earned by the artisan and that at which the products are sold in the local market is more than 31%.
- Daily value addition per unit of an average product is Rs. 62.47.

The Consumers: A Glimpse

- Around 93% said that they like handloom & handicraft products from NorthEast.
- 60% of them found the products from NorthEast very useful.
- Around 65% do not feel the products to be too costly to afford.
- More than 70% of them feel that the products need redesigning to meet the requirements of the consumers.
- More than 76% feel that the channels of marketing these products are insufficient.
- Around 84% want the marketing channels to be managed by professionals.
- Around 66% desire the marketing channels to be run by the private sector.
- They underscored the need to aggressively advertise the products.
- They are in favour of promoting professional Handloom and handicraft marketing centres all around the country.
- 83% of the respondents consider that the corporate sector can play a major role in marketing the products.
- The study underscored the need to develop an institutional set up that may facilitate the implementation of the desired changes. Any production system is constituted of a good number of apparently independent but inter-linked sub-systems. They are:
 - Input procurement sub-system
 - Input processing sub-system
 - Technology sub-system
 - Output sub-system
 - Output processing sub-system and
 - Marketing sub-system.

Thus it is evident that establishing a **strong marketing channel** is contingent upon not only strengthening each of the sub-systems but also developing an effective feedback mechanism across these sub-systems.

To conclude, the study argues that the Handloom & Handicraft sector in the NorthEast has a strong potential to stand on its own and act as an engine of growth for the entire region. The artisans are endowed with considerable amount of human capital. However, they are constrained by the insignificant size of the market for their product. This does not mean that a bigger market is non-existent. The marketing channel between the producer and the ultimate consumer is nearly non-existent. Consequently, the capacity of the artisans to imbibe new technologies for treatment of raw materials, produce new products and produce them in good quantities is far below the level of sustenance. Hence the partial dependence on Handloom & Handicraft sector for livelihood among many of them. A proper coordination among all the sub-systems carried out in a professional way will lead this sector to sustainability. In an ideal situation the market would have played the role of coordination. However, handloom products and handicrafts are traditionally produced for self-consumption or at the most for others belonging to the communities. Proper markets for them are yet to be developed. The present situation is clearly an example of the problem of 'non-existence of market' and the subsequent problem of 'rent seeking' by some vested interests. As is the characteristics of the non-existence of a proper market, no precise information database exists that may be used to identify the present status of the sub-systems and their dependence on one another. Generating such a database should be accorded the topmost priority today.

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CII can play a vital role in initiating the process of developing a market and its antecedent infrastructure for the Handloom and Handicrafts of this region. A Center to take care of both product diversification and marketing may be developed at a suitable location - Guwahati or Imphal - to facilitate such process of 'market development'. The proposed Center may supply the requirements of the industrial houses from out of the produce of the Handloom & Handicraft sector of the NorthEastern region. NEDFi should also collaborate in this endeavour with its vast repository of local knowledge

SECTION - 5 : RURAL INDUSTRIES¹

This section summarises the progress made in the Village and the Small Industry sector. The data on Handloom Sector and production and exports of sericulture and coir products are also provided.

- 5.1: Expenditure and Outlay of different types of industries for 2000-01 to 2001-02 are included in this table.
- 5.2: The production in different sectors of Village and Small Scale Industry for the years 1999-2000 to 2001-02 and the targets for 2001-02 is dealt with in this table.
- 5.3: The employment generated under village and small industry sector for the years 1999-2000 to 2001-02 is provided in this table.
- 5.4: The total value of the exports of the Khadi Cloth, Handlooms, Sericulture, Handicraft under village and small industry sector for 1999-2000, 2000-01 & 2001-02 is given in this table.
- 5.5: The data on expenditure incurred by different Small Scale and Agro Rural Industries for the year 1999-2000 are given. The revised estimates of outlay and the budgeted estimates for 2000-01 and 2001-02 are also indicated.
- 5.6: The total production and employment generated during 1998-99 in different States and UTs under Bio-gas scheme taken up in the Khadi and Village Industry sector are shown in this table.
- 5.7: This table presents data on Handloom and Powerlooms Fabric Production for selected years during the period 1991-92, 1992-93, 1995-96 & 1996-97.
- 5.8: The total value of Textiles exported during 1994-95, 1995-96 and 1996-97 is shown in this table.
- 5.9 (a) & (b): The production & Exports of Sericulture during the years 1995-96 to 1999-2000 and also the total quantity of Natural Silk Goods and Mixed/Blended Silk Goods exported along with their corresponding value are included in these tables.
- 5.10: Coir Production, Employment and Exports for the years 1999-2000 to 2001-2002.
- 5.11: The quantity of Coir products exported and the export earnings in the years 1995-96 and 1996-97 are provided.
- 5.12: The area and production of Coconuts in different states for the years 1992-93 and 1993-94 are given in this table.

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¹ www.nird.org

5 : RURAL INDUSTRIES

5.1: Village & Small Industries – Plan Outlay and Expenditure

S.No.	Industry	1999- 2000 Actual Exp.	(Rs. Crore) Annual Plan Outlay		
			2000-01 B.E	2000-01 R.E	2001-02
1.	Small Scale Industries & Rural Industries	505.16	920.00	875.00	936.00
2.	Textiles (VSI)	209.05	292.07	269.00	317.00
	Total (VSI sector)	714.21	1212.07	1144.00	1253.00

R.E : Revised Estimates

B. E: Budget Estimates

Source: Planning Commission, Annual Plan 2001-2002.

5.2 : VSI: Production during 1999-2000 to 2001-02

S.No.	Sector	Unit	1999-2000 Actuals	2000 - 01 Anticipated Achievement	2001 - 02 Targets
1.	Small Scale Industries	Rs. Crore	572887.00	650332.00	730400.00
2.	Khadi Cloth	M.Sq. Mts.	83.98	88.00	95.00
3.	Village Industries	Rs. Crore	5613.40	6607.00	7896.00
4.	Coir Fibre	000 tonnes	356.00	380.00	395.00
5.	Handlooms Cloth *	M.Sq/Mts	7352.00	7725.00	8500.00
6.	Powerlooms Cloth *	M.Sq/Mts	23187.00	24330.00	26000.00
7.	Raw Silk	Mt.Tonnes	15214.00	16740.00	17500.00
8.	Handicrafts *	Rs. Crore	40295.00	46355.00	49000.00

* : Estimate

Source: Planning Commission, Annual Plan 2001-02.

5.3 : VSI : Employment during 1999-2000 to 2001-2002

S.No.	Sector	(Lakh Persons)		
		1999 - 2000 Actuals	2000 - 01 Anticipated	2001 - 02 Target
1.	Small Scale Industries	177.50	185.64	192.00
2.	Khadi and Village Industries	59.23	62.73	66.00
3.	Coir Industry	5.18	5.30	5.50
4.	Handlooms *	165.00	170.00	175.00
5.	Powerlooms *	71.00	72.00	75.00
6.	Sericulture *	63.64	65.22	67.00
7.	Handicrafts *	68.00	70.00	72.00
8.	Wool Development * (Unorganised Sector)	5.00	5.00	5.00

* : Estimate

Source: Planning Commission , Annual Plan 2001-02.

5.4 : VSI : Exports during 1999 - 2000 to 2001-02

S.No.	Sector	(Rs. Crore)		
		1999 -2000 Actuals	2000 - 01 Anticipated	2001-02 Target
1.	Small Scale Industries	53975.00	61175.00	65000.00
2.	Coir Industry	303.05	312.00	320.00
3.	Handlooms	1865.00	2000.00	2150.00
4.	Powerlooms *	9915.00	10200.00	11000.00
5.	Silk	1501.78	1550.00	1650.00
6.	Handicrafts	8059.63	9270.50	10600.00

* : Estimates

Source: Planning Commission, Annual Plan 2001-02.

5.5 : Plan Outlays/Expenditure

Small Scale & Agro Rural Industries

		(Rs. Crore)						
S.No	Industry	1999 - 2000 Actuals	2000 - 01 (RE)			2001 - 02		
			Outlay	B S	IEBR	Outlay	BS	IEBR
Dept. of SSI & ARI								
1	SIDO	256.29	279.55	279.55	---	407.00	391.00	16
2	PMRY	190.00	201.00	201.00	---	193.50	193.50	---
3	NSIC	27.12	154.25	34.25	120	149.00	29.00	120
4	KVIC	201.93	293.00	293.00	---	354.00	354.00	---
5	COIR	12.43	16.75	16.75	---	18.00	18.00	---
6.	OTHER SCHEMES	7.39	131.45	106.45	25	8.00	8.00	---
TOTAL (SSIA & RI)								
		505.16	875.00	730.00	145	936.00	800.00	136

BS: Budgetary Support

I E B R: Internal and Extra Budgetary Resources

SIDO : Small Industries Development Organisation

P M R Y: Prime Minister's Rozgar Yojana

NSIC: National Small Industries Corporation Limited

K V I C : Khadi and Village Industries Commission

SSIA & RI : Small Scale Industries, Agro and Rural Industries

Source: Planning Commission, Annual Plan 2001-02.

5.6 : KVI:Bio-Gas : Production and Employment 1998-99 (State - wise)

S.No.	State/UT	Production (Rs. Lakh)	Employment (Lakh Persons)
1.	Andhra Pradesh	1693.36	0.04
2.	Arunachal Pradesh	2.49	---
3.	Assam	1199.90	0.03
4.	Bihar	2587.76	0.07
5.	Goa	32.23	---
6.	Gujarat	2228.89	0.06
7.	Haryana	39.67	---
8.	Himachal Pradesh	77.87	---
9.	Jammu & Kashmir	41.28	---
10.	Karnataka	3393.97	0.09
11.	Kerala	928.63	0.02
12.	Madhya Pradesh	889.70	0.02
13.	Maharashtra	4924.07	0.13
14.	Manipur	2.69	---
15.	Meghalaya	16.63	---
16.	Mizoram	0.29	---
17.	Nagaland	5.91	---
18.	Orissa	443.52	0.01
19.	Punjab	179.55	---
20.	Rajasthan	66.52	---
21.	Sikkim	3.97	---
22.	Tamil Nadu	1482.56	0.04
23.	Tripura	22.21	---
24.	Uttar Pradesh	2093.65	0.05
25.	West Bengal	1822.93	0.05
Total		24180.25	0.61

KVI : Khadi and Village Industries

Source: KVIC, Annual Report 1998-99.

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5.7: Handlooms and Powerlooms Fabrics-Production

		(Million Sq.Mtrs.)			
S.No.	Sector	1991-92	1992-93	1995-96	1996-97
A.	Handlooms Sector				
	i) Cotton	4065	4686	6238.56	6441.30
	ii) Blending Mixed	12	8	18.40	51.99
	iii) 100% Non-cotton	46	525	945.21	963.39
	Total Fabrics	4123	5219	7202.17	7456.68
B.	Powerloom Sector				
	i) Cotton	6383	7306	7014.19	7237.38
	ii) Blending Mixed	1885	1996	3136.59	3947.59
	iii) 100% Non-cotton	4994	5342	7050.49	8165.89
	Total	13262	14644	17201.27	19350.86

Source: Ministry of Textiles, Basic Textile Statistics for 1996-97, August 1997.

5.8 : Exports of Textiles

(Value Rs. Crore)

S.No.	Item	1994-95	1995-96	1996-97 *
1.	Cotton Fabrics & Made-ups	1504.60	1491.14	1758.90
2.	Cotton Yarn	2613.42	3362.08	5330.17
3.	Readymade Garments	13921.62	14945.62	16729.24
4.	Wool & Woollens	537.53	660.73	1036.78
5.	Silk	937.31	846.07	880.62
6.	Man-made Textiles	2463.51	3122.66	3216.10
	Total	21977.99	24428.30	28951.81

* : Provisional

Source : Ministry of Textiles, Basic Textile Statistics for 1996-97, August 1997.

5.9 : Sericulture : Production and Exports

(A) PRODUCTION

S.No.	Item	(000 Kgs)				
		1995-96	1996-97	1997-98	1998-99	1999-2000 (P)
	Raw Silk (1+2)	13909	14126	15236	15544	15197
1.	Mulberry Raw Silk	12884	12954	14048	14260	13944
2.	Non-Mulberry Silk	1025	1172	1188	1284	1253
	a) Tasar	194	235	312	242	194
	b) Eri	745	864	814	970	974
	c) Muga	86	73	62	72	85
3.	Silk Yarn					
	a) Spun Silk Yarn	375	485	358	429	505
	b) Noil Yarn	219	120	273	160	224
	Total (a+b)	594	605	631	589	729

P : Provisional

Source: C S O, Statistical Abstract India 2000.

(B) EXPORTS

S.No.	Item	Unit	1996-97	1997-98	1998-99	1999-2000
I.	Natural Silk Goods	Qty.Lakh Sq.Mts	480.83	402.23	363.34	405.03
		Value in Rs.Crore	876.47	904.42	1103.76	1239.53
	a) Mulberry Silk	Qty.Lakh Sq.Mts	447.90	368.12	326.56	359.07
		Value in Rs.Crore	834.72	856.36	943.23	1142.88
	b) Tasar Silk	Qty.Lakh Sq.Mts	10.47	10.20	10.29	11.26
		Value in Rs.Crore	17.23	16.22	18.25	22.02
	c) Mixed/Blended Silk Goods	Qty.Lakh Sq.Mts	22.46	23.91	26.49	34.70
		Value in Rs.Crore	24.52	31.85	42.28	74.63
II.	Silk Waste	Qty. Thousand Kgs.	247.00	1038	1410	2097
		Value in Rs. Crore	3.44	20.89	32.36	36.36
III.	Silk Yarn	Qty. Lakh Kgs.	6	25	2	1
		Value in Rs. Crore	0.53	0.97	0.16	0.11

Source: C S O, Statistical Abstract India 2000.

5.10: Coir: Production, Employment and Exports

S.No.	Item	Units	1999-2000 Actuals	2000-2001 Anticipated	2001-2002 Targets
1.	Production Coir Fibre	'000 Tonnes	356.00	380.00	395.00
2.	Employment Coir Industry	Lakh Persons	5.18	5.30	5.50
3.	Exports Coir Industry	Rs. Crore	303.05	312.00	320.00

Source : Planning Commission, Annual Plan 2001 – 2002.

5.11: Coir Products - Exports - 1995-96 & 1996-97

S.No.	Item	(Quantity in Tonnes) (Value in Rs. Lakh)			
		1995-96		1996-97	
		Quantity	Value	Quantity	Value
1.	Coir Fibre	303	27.09	337	49.59
2.	Coir Yarn	14839	3434.48	13645	326.32
3.	Coir Mats	20338	10131.77	20969	11343.72
4.	Coir Mattings	7591	4621.29	6283	3923.37
5.	Coir Rugs and Carpets	2818	1867.91	2306	1705.15
6.	Coir Rope	121	26.27	78	21.68
7.	Coir Other Sorts	353	176.36	578	256.52
8.	Curled Coir	1156	112.89	715	85.94
9.	Rubberised Coir Products	174	113.40	212	152.32
10.	Coir Geo-textiles	474	167.80	361	149.46
11.	Coir pith	109	5.39	468	51.69
Total		48276	20684.65	43369	21258.00

Source : Coir Board, Coir News, April 20, 1997.

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5.12 : Coconut Production in India – States 1992-93 & 1993-94

S.No.	State	Area		(Area in Thousand Ha.) (Production Million nuts)	
		1992-93	1993-94	1992-93	1993-94
1.	Andhra Pradesh	71.7	79.9	1081.8	1103.5
2.	Assam	15.6	15.6	103.2	103.2
3.	Goa	24.2	24.2	113.0	113.0
4.	Karnataka	246.0	252.2	1269.7	1340.8
5.	Kerala	877.0	881.6	5125.2	5586.4
6.	Maharashtra	7.9	7.9	131.0	148.5
7.	Orissa	38.4	38.4	219.5	219.5
8.	Tamil Nadu	196.4	270.3	2771.1	3281.9
9.	Tripura	11.3	11.3	4.9	4.9
10.	West Bengal	20.4	21.1	285.1	310.3
11.	Andaman	24.1	24.4	84.4	85.3
12.	Lakshadweep	2.8	2.8	21.0	26.3
13.	Pondicherry	1.9	1.9	31.0	31.4
All - India		1537.7	1631.6	11240.9	12355.0

Sources : 1. Ministry of Agriculture, Directorate of Economics and Statistics.
2. Coconut Board, Annual Report 1994-95.

Annual Exports of Principal Commodities (Rs. Crore)

Sr. No.	Items	1960-61	1970-71	1980-81	1985-86	1990-91	1999-2000
1.	Coffee	2	25	214	265	252	1,435
2.	Tea	195	148	426	626	1070	1785
3.	Fruits & Vegetables	7	18	116	206	335	643
4.	Cotton yarn & manufactures	91	75	277	574	2100	18151
5.	Leather & leather manufacture	39	72	337	770	2566	6891
6.	Iron ore	27	117	303	579	1049	1175
7.	Tobacco	25	33	141	170	263	1009
8.	Engineering Goods	13	130	727	954	3877	22325
9.	Cashew Kernel	30	52	140	225	447	2461
10.	Readymade Garments	n.a.	9	378	1067	4012	20649
11.	Handicrafts	n.a.	70	894	1881	6167	37568
12.	Fish & Fish preparation	7	31	213	409	960	5125
13.	Rice	-	5	224	196	462	3126
14.	Chemicals & Allied products	-	-	-	-	3558	14772

Source: India's Balance of Payments, 1948-49 to 1961-62: Reserve Bank of India, Handbook of Statistics on Indian Economy (2001).

Direction of India's Foreign Trade (Rs. Crore)

	Region/ Country	1980-81				2000-2001			
		Exports		Imports		Exports		Imports	
I	OECD of which	3126	46.6	5747	45.8	107238	52.6	92090	39.9
(a)	European Union (EU)	1447	21.6	2639	21.0	47561	23.4	48015	20.8
	(i) France	147	2.2	280	2.2	4660	2.3	2927	1.3
	(ii) Belgium	144	2.2	296	2.4	6718	3.3	13112	5.7
	(iii) Germany	385	5.7	694	5.5	8718	4.3	8038	3.5
	(iv) U.K.	395	5.9	731	5.8	10502	5.2	14472	6.3
	(v) Italy	-	-	-	-	5979	2.9	3305	1.4
(b)	North America	806	12.0	1851	14.8	45509	22.4	15588	6.7
	(i) Canada	62	0.9	332	2.6	2999	1.5	1814	0.8
	(ii) USA	744	11.1	1519	12.1	42570	20.9	13774	6.0
(c)	Other OECD	745	10.5	932	7.4	14168	6.9	28487	12.3
	(i) Australia	92	1.4	170	1.4	1854	0.9	4855	2.1
	(ii) Japan	598	8.9	749	6.0	8198	4.0	8416	3.6
	(iii) Switzerland	111	1.7	121	1.0	2000	1.0	14437	6.3
II	OPEC	745	11.1	3490	27.8	22223	10.9	12385	5.4
	(i) Iran	123	1.8	1339	10.7	1037	0.5	965	0.4
	(ii) Kuwait	97	1.4	338	2.7	910	0.4	515	0.2
	(iii) S. Arabia	165	2.5	540	4.3	3760	1.8	2838	1.2
	(iv) UAE	152	2.3	350	2.8	11866	5.8	3011	1.3
	(v) Indonesia	-	-	-	-	1826	0.9	4158	1.8
III	Eastern Europe	1486	22.1	1296	10.3	6020	2.9	3884	1.7
	USSR / CIS	1226	18.3	1014	8.1	4061	2.0	2365	1.0

IV	Developing Nations of which	1266	18.9	1971	15.7	59381	29.2	50865	22.0
	(i) Asia-	880	13.1	1428	11.4	45858	22.5	38647	16.7
	South Korea	44	0.7	135	1.1	2059	1.0	4083	1.8
	Singapore	109	1.6	428	3.4	4007	2.0	6688	2.9
	Hong Kong	-	-	-	-	12064	5.9	3893	1.7
	SAARC	236	3.5	140	1.1	8810	4.3	2128	0.9
	(ii) Africa	345	5.1	204	1.6	8915	4.4	9053	3.9
	(iii) Latin America & Caribbean	n.a.		n.a.		4609	2.3	3166	1.4
V	Others	65	0.9	45	0.4	350	0.2	8	-
Total I to V		6711	100.0	12549	100.0	203571	100.0	230873	100.0

OECD : Organisation for Economic Co-operation and Development
OPEC : Organisation of Petroleum Exporting Countries
SAARC : South Asian Association for Regional Co-operation

Source: RBI, Report on Currency and Finance (1998-99) and Handbook of Statistics on Indian Economy (2001).