Value Chain Analysis of Hand Embroidery Sub-sector in Western Rajasthan

Executive Summary

Vikas Choudhary (Consultant) and Bhawna Agarwal

June 2004

Udyogini
B-5/158, Safdarjung Enclave
New Delhi – 110029
Tel: 11-26166272, 26171438, Fax: 26171707
Email: udyogini@bol.net.in,
udyogini@touchtelindia.net
Web:www.udyogini.org

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Hand embroidery, as a cultural signifier and now increasingly as a livelihood provider, occupies a significant space for women in many rural communities across the globe. Traditionally confined to their respective households and communities, now embroidered products of remote rural Rajasthan are increasingly finding place in the international markets. This study attempts to understand the structure, nature, and dynamics of the hand embroidery sub-sector in western Rajasthan, along with an enhanced understanding of the contribution of various stakeholders.

This sector has its genesis in the migration of Hindu refugees to Rajasthan, India during the 1971 India-Pakistan War. The amalgamation of the necessity of refugees to eke a living, of foreigners to take advantage of the exotic and ethnic tradition, and the entrepreneurship of the trading community, gave birth to this sector. Today, with an annual turnover of approximately 130-150 crore rupees ($ 28- 33 million), it provides livelihood opportunities to roughly 60,000 women in rural western Rajasthan.

The sector is controlled by around 180-200 manufacturing units concentrated around the Barmer district wherein 70-75 percent of the sector's production takes place. Gadra Road, Dhanau, Binjiasar, Chautan, and Barmer city are some of the prominent clusters around which the sector is organized. Chautan is the biggest centre and have 50 percent of the production units concentrated there, followed by Barmer which harbors 23 percent of such units. These manufacturing units are a misnomer in fact, as the entire production of the sector is highly decentralized and takes place in individual households in remote hamlets and villages.

In terms of size, micro firms (annual turnover less than 10 lakh ($22,222) dominate the production landscape with 53 percent of firms belonging to this category. However they contribute only 8 percent of the volume of the sector. On the other hand 7-10 large firms, which account for only 4 percent of the total firms, capture 51 percent of the market share.

Caste based kinships networks are the most powerful governors of the sub-sector. 70 percent of the manufacturers belong to Maheswari community while 20 percent to the Jain community, both are trading communities according to the traditional caste hierarchy. Only 10 percent of the manufacturers belong to the non-traditional communities.

The manufacturers, popularly called *Seths* by the women embroidery workers, are usually responsible for the following: Capital investment; Raw material purchase; Cutting, Tracing, Dyeing; Distribution of the goods to women/ agents; Collection of the embroidered goods; Account management; Labor/ agent payment; Fabrication / tailoring/dyeing; Finishing; Marketing; Cash realization; and, Overall management.

Thekedars(Agents/ middlemen) are from other communities such as Meghwals, Rajputs, Brahmins, and Baniyas. Entry and exit barriers are probably the lowest at the stage of the Middleman (*Thekedar)*. Since the money investment is not huge, quitting the sector is relatively easy if things don't go as planned. On the other hand, a referral from a relative and small capital to pay off the month's wages to the embroiderers is all that is required to enter the sector. A mid sized *thekedar* blocks 5000/- ($111) to 10,000/- ($222) in the form of wages at a given time.

Thakedars are usually responsible for 1)Collecting the raw material from the Seth, 2)Breaking the raw material into small individual packets, 3)Making visits to households to give them the raw material , 4)Explaining the desired production , 5)Repeated visits to the women households to ensure production , 6) Quality check , 7) Filling up the material shortfall (thread/ mirror if any) , 8) Collecting the finished products, 9) Making immediate cash payment to the women labor, 10) Sorting the products, and 11)Delivering the finished product to the *Seth*.

The production base is dominated by Meghwal women for good quality work. They are followed in quality by suthar, charan, jats, and purohit women. Rajput women are generally regarded as the one producing the lowest quality of embroidery. Women in most of the cases get the raw fabric and material in their households and are responsible for 1) getting and accounting for the raw material ,2) Negotiating the price, 3) color matching, 4) embroidering the product , 5) meeting the quality and time specification, and 6) delivery of embroidered product.

Commercial hand embroidery provides these women flexibility of time, convenience, and security of being in the confines of the household. On an average a women is able to devote 4-5 hours a day to commercial embroidery production depending on her life cycle stage, number and age of young and old females in the household, and her family's financial standing. During four month in a year women are engaged in agricultural activity but for the remaining eight months they are relatively free to undertake this activity. Yet, getting full work all the year round is a major concern for these women and they lament the seasonal and sporadic nature of the activity. There are, however, productivity and timeliness issues in supply as well that act as disincentives for the manufacturers/thekedars to source from particular areas.

The production system in the sector could be best described as pre-negotiated piece rate system. Gray cloth, design, thread and mirror are delivered to the women at her doorstep via multiple mechanisms. The women, as well as the middlemen, are paid on the basis of number of pieces produced. The major production arrangement of the sector could be classified as:

1. Direct pick up of goods by women at the manufacturer's shops in the market
2. Direct pick up of goods by women at the manufacturer's production centers
3. Delivery of goods to women in the remote areas through manufacturers vehicles
4. Delivery to women though big agents (Middlemen)
5. Delivery to women through small agents (Middlemen)
6. Delivery to women through village agent (Middlemen and women)

Only 10-15 percent of the sector production comes through the direct interaction between the women and the manufacturers. Intermediary/ies are involved in the remaining 85 percent of the production.

Table 1.2 Women's per piece through different channels (16*16 cushion cover at Chautan)

1.Direct from Manufacture's Shop	30/- ($.66)
2.Direct from production centre	30/- ($.66)
3.Delivery through manufacturer's vehicle (Jeep)	
a) In Barmer	30/- ($.66)
b) In Bikaner though agent in Poogal	22-23/- ($.48 -$.51)

c) In Bikaner through village agent via direct jeep	22-23/-($.48-$.51)
d) In Bikaner though village agent via agent in Poogal	20-21/- ($.44- $.46)
4.Big agent Directly (agent sourcing from Manufacturer in Barmer)	25/- ($.55)
5. Agent directly (agent sourcing from Manufacturer in Barmer)	25/- ($.55)
6. Through village agent (sourcing from big agent in Poogal)	22-23/- ($.48-$51)

* (There could be one more type of channel. Manufacturer to Big agent to agent to village agent but such long channels were not seen in Poogal but are quite probable)

Incomes are inversely proportional to the distance from the manufacturer's center. The piece rate falls when the distance increases. When the Thekedars take their products to Poogal area in Bikaner district, they pay 25/- for a panel for which they generally pay 30/- in Gadra Road or Chautan in Barmer district. On the other hand, the women as well as the Thekedars are offered the same rate when they go to the Seth's shop to seek work. There is no price variation / difference offered to the middlemen and the producers at the Seth's shop.

There are no standard or average markups in the sector. Every transaction is a different transaction wherein each transacting party attempts to gain the maximum share. The mark up on lower quality lower priced goods are low and markups on higher quality higher priced goods are high.

Industry sources claims that the entire chain runs on the markup of 1-2/- at each level. Whereas this might be true for the lower price routine goods, markup on higher quality production against orders goes up to 4-5/- at each level. The largest markup apparently seems to be in the case of agents and manufactures getting their products made in Poogal. But in that case too, the cost of going to Barmer and expenditure involved in traveling is covered up in those markups. All the diverse channels co-exist and operate simultaneously making the entire sector operate on low margins. Furthermore since the competition is severe, a greater number of manufacturers are vying for a limited pool of skilled craftswomen, hence, the person who offers lesser piece rate won't be able to sustain.

The peak labor demand of agriculture coincides with the peak market demand of embroidery products. Since agricultural activity is given higher priority owing to multiple reasons, higher rate of agricultural labor being one of them, very little production accrues during the peak agriculture season.

The entire sector, it seems, runs on credit sales, starting from raw material purchase to the sale of finished goods. While for raw material purchase, the credit line is 15 days, it is 3 months to 6 months for the finished goods. Women embroiderers, on the other hand, are paid in cash on completion of the production.

The embroiderers wages constitute 28 percent to 35 percent of the final product cost. There is a definite premium on the quality that is offered for the quality products. The same design of *Chakli* (wheel) on 16*16 *ralli* (bed sheet) fetches the piece rate of 11/-,12.50/-,15.50/-, and 20/-. But obviously there is direct trade off between the quality and the quantity. It take longer, greater care, and sincerity to make a higher quality product but the incremental price more than compensates for the additional time invested in making the quality product. However, the demand of such higher quality products is not extensive.

In the industry, two major issues that affect their bottom line are

1. Quality: Many feel that the industry is on a downward spiral of low cost, cheaper raw material, poor quality, and low prices.
2. Timeliness: The scattered nature of the production makes timely delivery of the products one of the biggest concerns. The spatial and cultural distances makes control and coordination difficult.

In spite of the concern aired above, money is rarely deduced on account of the quality or timeliness at all levels in this sector starting from the Thekedars down to the producers. Since the products are hardly delivered on time, manufacturers always overproduce 15 to 20% in excess against orders, to eventually arrive at the desired level of production. Due to the highly decentralized, spatially scattered production base, the product passes through multiple channels and in the process part of it gets ruined, damaged, lost, or just disappears amounting to the tune of 2-5% of their annual production. The sector has been thriving on its low price advantage and it characterized by intense competition, low margin, declining quality, and growing production base.

Six NGOs are involved in the business of hand embroidery in western Rajasthan. Citing the objective of providing higher incomes to the producers, they currently fulfill the business functions of capital investment, raw material purchase, distribution, sales, and general management. Structurally and functionally there are lots of similarities between NGO operations and the private sector.

NGOs provide 2 to 3 times higher piece rate in comparison to their private sector counterparts. They emphasis on quality production and their products are more exquisite and expensive. At the same time, it takes greater time to do embroidery for the NGOs and women can embroider three products for the private sector while they embroider two products for the NGOs in the same time.

But when spread over the entire year, NGOs are usually not able to provide enough piece rate work. Three NGOs provided average annual incomes ranging from 312/-($6.9) to 824/-($18.31) to embroiderers in their respective groups in 2002-03. However, one NGO provided annual income worth 6000/-($133) to 7000/-($156) to the women embroiderers. On the other hand, women are able to earn anywhere between 1200/-($26.6) to 3200/-($71) annually while working with the conventional private sector.

NGOs invest in building technical and managerial capacity of the women producers, design and product development, providing access to cheap institutional credit, promoting and marketing the sector on the national and global levels, and building social capital in the form of producers group. Private sector does not perform the above mentioned functions. Probably, a thorough research on the above mentioned facets of NGOs' work in the sector needs to be conduced to gauge the NGOs efficacy, significance, and the role in the sub-sector.