

Strategic Management Perspective for Sustainable Development in the Handloom Industry

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The handloom sector plays an indispensable role in Indian economy. The level of intricacy obtained from handloom fabrics is unmatched when compared to machine-made fabrics. It signifies the diverse and rich culture that India inherited which is visible in the form of its uniqueness in terms of the designs. In spite of being a low technology-driven industry, it has managed to sustain its growth and importance in this era of technological advancement and globalization. This sector contributes a lot in spreading the rich cultural heritage of the country. The survival and sustenance of this sector is mainly due to the contributions of the skilled weavers. This paper is conceptual in nature and gives a detailed insight about the growth rate of the textile industry in India, the share of the handloom sector and its market structure. More specifically, the paper focuses on the market assessment of handloom industry of Varanasi and its operational model. For this purpose, an unstructured interview was conducted with the handloom weavers. A detailed Political, Economic, Social and Technological (PEST) analysis was carried out for the purpose. Based on the above study, a business model has been proposed, which the author hopes will help to increase the profit share of the weavers who are forced to survive on meager wages. Factors affecting this industry shall also be analyzed using Porter's Five Forces Model.

Introduction

Handloom weaving is one of the largest economic activities after agriculture and provides direct and indirect employment to more than 4.3 million people. The industry represents the rich cultural heritage of the country, and Varanasi is called the cultural capital.

There are 51,217 registered weavers in Varanasi (<http://www.handloomcensus.gov.in/>). The operational model of weaving in Varanasi is built on four pillars, namely, (a) Independent/ Individual Weavers; (b) The Master weaver; (c) Loom-less individual weavers; and (d) Cooperative weavers. The cooperative weavers work under the registered government cooperative institutions. Loom-less weavers do not have loom of their own and are employed under master weaver's factory premises. They get the supply of raw material (yarn) from master weavers and in turn wages are paid. Wages are decided on the basis of the negotiating power of the weavers and intricacies of the designs. However, the negotiating power of weavers has drained substantially during the last decade as the industry is facing a downtrend. One more type of loom-less weavers are the ones who have been given a loom by master weavers

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and installed at their homes. The traders are the owners of the loom and weavers are paid the wages. The independent weavers are not under the wages system. The independent weavers have their own loom, purchase raw material from supplier on credit, weave the fabric and then sell it to the Gaddidar (middlemen/traders) directly or through master weavers. Master weaver designs and weaves himself and may also employ other weavers who weave for him on his loom or on the weaver's own handloom. Independent weavers are not able to get a better price because of lack of holding capacity, fluctuating raw material prices and payment delaying tactics of the trader.

The Government of India has since independence been following a policy of promoting and encouraging the handloom sector through a number of programs and schemes. The support from the government and skill set of the handloom weavers have majorly contributed to the sustenance of this sector. The formation of different organizational bodies since independence like the All-India Handloom Board, All India Handloom Fabrics Marketing Cooperative Society etc. are indicators of the government's support, and therefore the rate of growth of handloom production has been quite promising.

This paper is conceptual in nature and gives a detailed insight about the growth rate of the textile industry in India, the share of the handloom sector and its market structure. More specifically, the paper focuses on the market assessment of handloom industry of Varanasi and its operational model.

Literature Review

PEST analysis is an important tool to analyze the environmental factors affecting the business. Depending upon the analysis of the all the factors (Political, Legal, Social and Technical) and type of business, strategic plans and opportunities can be highlighted. PEST analysis varies depending upon the type of business, and therefore social factors contribute more in the consumer business, while political factors are crucial in case of business related to manufacturing of propellants/aerosols (Byars, 1991). Importance was given to economic factors by Thompson (2002) because it affects the capital availability and demand and is a reason for the business to be successful and profitable. Socio-cultural environment involves demand and tastes of the consumers, which depends on income and other facets which help the companies in exploring opportunities and threats (Thompson, 2002; and Pearce and Robinson, 2005). Technological factors are helpful to gain competitive advantage (Capron and Glazer, 1987; Johnson and Scholes, 1993; and Jan, 2002). This analysis can be useful to analyze the strategic importance of the handloom industry. The industry contributes 4% to the GDP of the country (IEBF Report, 2017) and still the socioeconomic conditions of the weavers are poor and lack of government intervention is one of the major reasons (Meher, 1995). Surya (2015a, 2015b and 2015c) studied the various welfare schemes provided to the handloom weavers and analyzed them based on the funds allocated and utilized and also reviewed state-wise handloom position in India considering parameters such as handloom exports, production and financial assistance being provided to them. Micro, Small and Medium Enterprises (MSME) in India have a very high potential in terms of employment generation,

promotion of entrepreneurial activities etc., so it requires an in-depth PEST analysis of this sector (Rakesh, 2014). According to Chauhan and Kaushal (2015), political factors are non-supportive for MSME in Jammu and Kashmir.

Objectives

- PEST analysis of the handloom industry;
- To analyze the handloom industry using Porter's Five Forces Model; and
- To design a value chain which increases profit margin to the individual handloom weaver.

Data and Methodology

Political, Economic, Social and Technological (PEST) analysis describes an overall macroeconomic framework of assessing different factors affecting business in general. It is a strategic tool which gives an insight into the market growth and potential of the business. This analysis is used to assess the four external factors in relation to the business situation. Basically, PEST analysis helps in determining how these factors affect the performance of the business in the long run. It is generally used in collaboration with SWOT analysis and Porter's Five Forces to give a better understanding. In this paper, Porter's Five Forces along with Pest analysis is used as a tool to analyze the handloom industry. For this purpose, an unstructured interview was conducted with the handloom weavers.

Results and Discussion

Analyzing the Handloom Industry Using PEST Analysis

Political Factors Affecting the Handloom Sector

The Government of India, since independence, has been proactively involved in promoting this sector. Our country has been the land of khadi, and handlooms have been an integral part of our cultural heritage.

The turnover for this sector has been reported to be ₹60,000 cr every year and market demand of ₹1,00,000 cr per annum.¹ Handloom exports have reached ₹4,000 cr per year (*Textile Review Magazine*, May, 2013). More than 3 crore people are dependent on this sector. Since there is no use of power, this sector is an eco-friendly industry. No royalty needs to be paid to the Western countries' concern over carbon emissions and climate change (see Table 1).

At the time of independence, there were 3 million handlooms in India. August 15, 1947 was an important day for the handloom weavers as on that day Mahatma Gandhi made the Charkha the symbol of national regeneration. However, the weavers faced the brunt of lack of proper infrastructure facilities and low quality of raw material. A slump in the textile

¹ admin.indiaenvironmentportal.org.in/files/file/Handloom%20Sector%20in%20Union%20Budgets.pdf

Table 1: Budget Allocation for the Handloom Sector (2013-2017)										
S. No.	Scheme	2013-14		2014-15		2015-16		2016-2017		
		BE	Exp.	BE	Exp.	BE	Exp.	BE	Exp.	
1.	Handloom Weavers Comprehensive Welfare Scheme	95.0	66.0	85.0	42.25	20.0	16.67	30.0	25.44	
2.	Yarn Supply Scheme	100.00	96.86	130.0	127.81	287.0	260.74	260.00	258.82	
3.	Revival Reform and Restructuring	175.00	269.79	Merged with NHDP						
4.	Comprehensive Handloom Development Scheme	117.0	117.35							
5.	National Handloom Development Program	-	-	362.0	227.89	150.0	89.20	150.0	124.26	
6.	Trade Facilitation Center and Crafts Museum	-	-			80.0	55.67	107.0	105.41	
7.	Comprehensive Handloom Cluster Development Scheme	30.0	27.50	20.0	14.45	6.60	4.26	65.0	11.75	
	Total	517.00	577.50	597.00	411.90	543.60	426.63	612.00	525.68	

Note: The above table depicts the budget expenditure from the year 2012 to 2017, there is a dip in the year 2014-15 and it has stayed so.

Source: http://hexmin.nic.in/sites/default/files/strategic_plan_2012_2017.pdf

sector in 1952 led to the stock piling up. The setting up of the All-India Handloom Board was to prepare schemes for the development of the handloom sector. The Handloom Industries Development Act in 1953 was passed by the Parliament of India. The All India Handloom Fabrics Marketing Cooperative Society was set up in 1955 to market the handloom products. To give a boost to the exports of the handloom products, the Handloom and Handicrafts Export Corporation of India Ltd. (HHEC) was formed in 1958. The National Handloom Development Corporation Limited (NHDC) was set up in February, 1983 by the Government of India for development of the handloom industry. It facilitated all functions right from the procurement of raw material at reasonable prices to marketing and promotional activities of the handloom products and technology upgradation in order to improve productivity and help this sector face the fierce competition at national and international level. The Association of Corporations and Apex Societies of Handlooms (ACASH), a national organization, was registered as a society in June 1984 to coordinate and promote marketing in the handloom sector. Handloom Export Promotion Council (HEPC) is a nodal agency of the Ministry of Textiles, Government of India, to help in the promotion of exports of all handloom products.²

The government has been a major support for the development and strengthening of the handloom sector in the form of setting up of various institutions. To provide technical support to the weavers and enhance skills by imparting training, the Weavers Service Centers (WSC) are operating under the control of development commissioner for handlooms. Currently, there are 28 WSCs spread across the country. The Indian Institutes of Handloom Technology (IIHT) offers diploma and degree programs for the technically qualified personnel for the development of the handloom industry. There are six IIHTs under the central government and four under the respective state governments. Financial assistance is provided for the restructuring of national and state level handloom industry by the GOI and state governments.

Major initiatives have been taken by the governments during the 12th Five Year Plan such as setting up of Trade Facilitation Center and Crafts Museum to help in the development and promotion of handloom products by facilitating trade activities and carry forward the rich traditions of handlooms of Varanasi. In order to create awareness among the public in general and in the younger generation in particular about the importance of the sector, August 7 has been declared as the National Handloom Day.

With a view to promoting the handloom industry on a sustainable basis, India Handloom Brand (IHB) was launched by the Prime Minister Narendra Modi on August 7, 2015, the first National Handloom Day, in order to endorse the quality of handloom products in terms of raw material, processing, embellishment, weaving, design and other parameters apart from social and environment compliance for earning the trust of customers. The main objective is to ensure production with zero defect and zero impact on environment. The performance has been impressive with 598 registrations issued for 78 product categories so far. Currently, 22 stores in 14 cities are in operation. IHB co-branded products have been launched in

² Report on Growth and Prospects of Handloom Industry – Study Report by Planning Commission, 2001

collaboration with known brands like BIBA and Peter England. Many more big brands are in the process to enter into an association with IHB.³ NHDC is in the process of implementing Enterprise Resource Planning (ERP) system for the benefit of handloom weavers. All processes—indenting, purchase order generation and invoice generation—will be performed through the ERP system itself resulting in quicker delivery and greater transparency. In each Common Facility Center (CFC) in Varanasi, IT-enabled facilities like ecommerce, banking, DTH recharge, mobile recharging, railway and air ticket booking, Aadhar Card/Election Card/Pan Card/Passport services, payment of electricity and water bills, etc., have been provided. There are various e-commerce tie-ups too (see Table 2).

Flipkart Pvt. Ltd.	Varanasi Cluster
Weave Smart Online Services	Andhra Pradesh, Telangana and Tamil Nadu
eBay India Pvt. Ltd.	UP (Varanasi, Barabanki, Bijnor), MP (Maheswar), WB (Samudragarh), Manipur (Imphal), Assam (Sualkuchi), TN (Palani), Telangana (Pochampally), MH (Yeola), Himachal Pradesh (Kullu), Rajasthan (Kota), Kerala (Kannur). Focus cluster Parmakudi (Tamil Nadu), Bodoland (North East), Champa (Chattisgarh) and Nuapatna (Orissa). Pegarse Technology Pvt. Ltd. UP, Tamil Nadu, Kerala.
Crafts villa Handicrafts Pvt. Ltd.	Maharashtra, MP, Orissa
GoCoop Solution & Services Pvt. Ltd.	West Bengal
Gaatha Handicraft P Ltd.	WB, AP, Karnataka
<i>Source: Compiled from www.business-standard.com</i>	

Economic Factors Affecting the Handloom Sector

Handloom plays an important role in the economic growth of the country by contributing to the GDP (4%) and providing employment opportunities.⁴ The handloom sector contributes nearly 14% of the total cloth production in the country. Export earnings were \$357.53 mn in the year 2016-17; 95% of the world's handwoven fabric comes from India.⁵ There had been a steady increase in production of handloom cloth from the year 2007 to 2015, except for a slight slump in the year 2008 due to economic slowdown. The handloom fabric production has had an impressive growth rate of 6% to 7% in the beginning of the 11th Plan. Due to economic slowdown, the production had declined nominally in 2008-09, but again gained momentum in the subsequent years (refer Tables 3 and 4, Figures 1 and 2). USA is the major importer, followed by the UK and Germany, Figure 3 shows the export of handloom products from India to other countries. The pie diagram shows the share of top 20 importers of handloom

³ www.indiaretailing.com/fashion

⁴ Report of India Brand Equity Foundation (IEBF).

⁵ *Ibid.*

Year	Handloom Cloth Production (million sq. m)	Handloom Exports (₹ in cr)
2007-08	6,947	NA
2008-09	6,677	NA
2009-10	6,806	1,252
2010-11	6,907	1,575
2011-12	6,901	2,624
2012-13	6,952	2,812
2013-14	7,104	2,233
2014-15	7,203	2,246

Source: Textiles Commissioner Office and HEPC

S. No.	Items	Share (%)
1.	Cotton Fiber	9
2.	Cotton Yarn, Fabrics and Made ups	23
3.	Man-made Textiles	14
4.	Garments	39
5.	Handlooms and Handicrafts	11
6.	Others	4

Source: //www.industrialgreenchem.com/pdf-docs/Ambarnath%20Conference/Day%201%20Combine%20Keynote%20Presentation/INDIAN%20TEXTILE%20INDUSTRY%20by%20Mr.%20Kartikey%20Danda.pdf

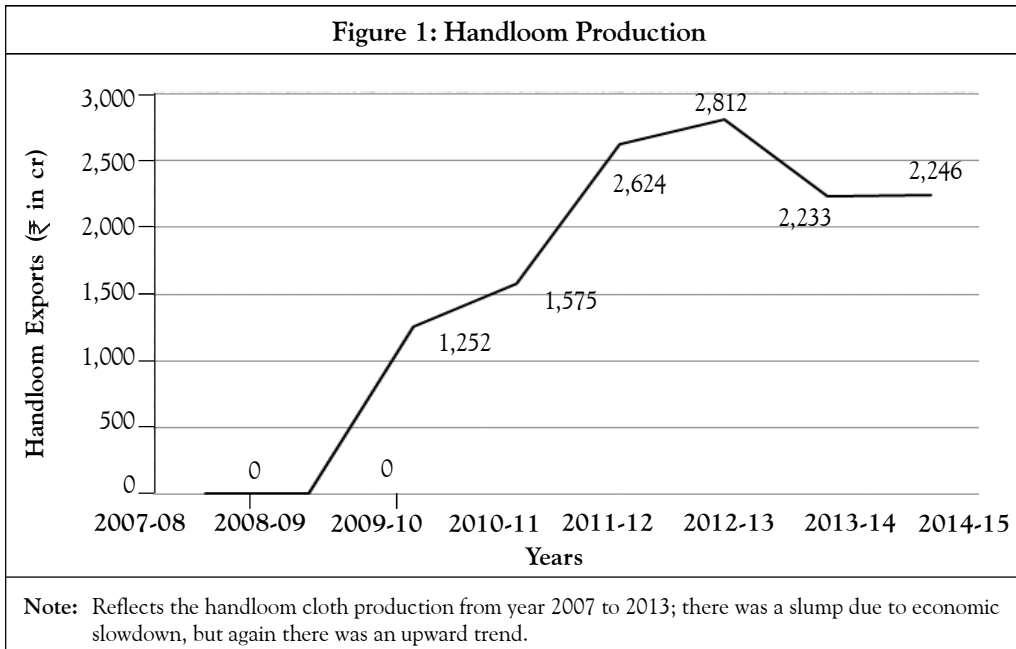
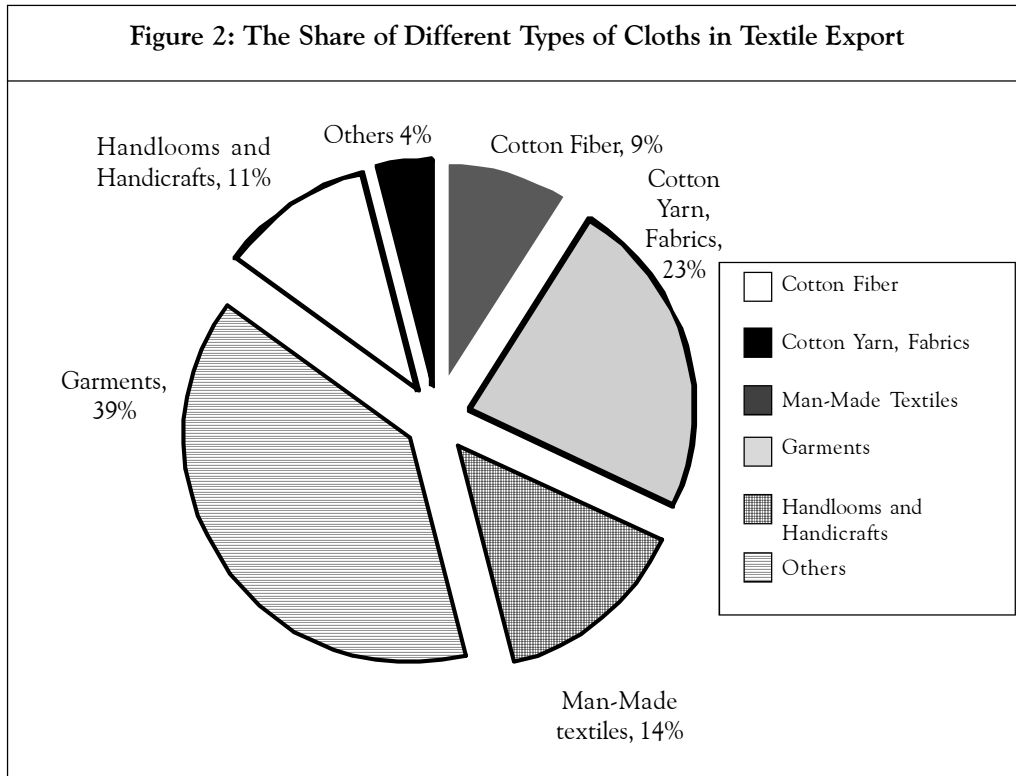


Figure 2: The Share of Different Types of Cloths in Textile Export



products from India. USA is the major importer, followed by UK and Germany (refer Table 5). Factors of production are quite favorable for handwoven fabrics, such as highly skilled labor force, low capital requirement, eco-friendly process of production etc.⁶ These factors act as a catalyst in the sustenance of this sector.

Export Promotion

Trade and export of manufactured goods to international markets is an integral part of the push for the manufacturing sector. There are uncertainties in global trade in the IT and Services sector. However, in order to promote Indian economy, focusing on the manufacturing sector should be made and standard goods should be produced for the international market. 'Make in India' platform will act as a facilitator for this. The Finance Minister's budget speech for the financial year 2016-2017 contained "suitable changes in customs and excise duty rates on certain inputs, raw materials, intermediaries and components and other goods" and even rules for simplified procedures "to reduce costs and improve competitiveness of domestic industry in sectors like information technology hardware, capital goods, defense production, textiles, mineral fuels and mineral oils, chemicals and petrochemicals, paper, paper board and newsprint, maintenance repair and overhauling of aircrafts and ship repair, etc."

⁶ Note of handloom sector – Ministry of Textile, 2015.

Table 5: Export of Handloom Products to Top 20 Countries During FYs 2012-13 to 2016-17												
S. No.	Country	2012-13		2013-14		2014-15		2015-16		2016-17		
		USD	INR (cr)	USD (mn)	INR (cr)	USD (mn)	INR (cr)	USD (mn)	INR (cr)	USD (mn)	INR (cr)	
1.	USA	247.04	1344.15	117.89	713.21	107.77	658.95	106.13	693.05	100.08	669.30	
2.	Italy	13.45	73.2	15.43	93.33	15.71	96.04	17.49	114.63	19.65	131.20	
3.	UK	28.97	157.63	26.05	157.59	29.63	181.19	22.42	146.39	18.45	123.47	
4.	UAE	15.67	85.27	9.13	55.21	5.76	35.21	19.42	126.44	18.18	121.84	
5.	Spain	6.15	33.49	7.40	44.78	8.28	50.60	11.41	74.39	15.64	104.71	
6.	Germany	25.64	139.50	24.96	151.00	25.37	155.12	15.41	100.59	14.91	99.56	
7.	France	16.06	87.36	14.30	86.49	14.84	90.71	13.14	85.93	14.54	97.24	
8.	Netherland	7.35	40.02	10.83	65.52	10.15	62.05	10.84	70.91	13.69	91.72	
9.	Australia	20.86	113.51	11.88	71.85	14.53	88.87	10.23	67.00	13.35	89.31	
10.	Japan	14.03	76.35	13.49	81.61	11.46	70.09	11.12	73.10	11.46	76.68	
11.	Sweden	6.66	36.21	7.08	42.82	8.82	53.94	8.26	54.32	8.42	56.43	
12.	South Africa	10.93	59.47	6.24	37.75	6.51	39.78	7.97	52.22	8.32	55.65	
13.	Greece	1.61	8.76	2.06	12.44	3.06	18.70	4.45	29.27	6.90	46.07	
14.	Thailand	0.68	3.72	0.72	4.37	0.8	4.88	1.01	6.68	6.16	41.34	
15.	Chile	6.40	34.83	5.98	36.20	4.36	26.64	6.04	39.54	5.87	39.40	
16.	Sri Lanka DSR	2.16	11.74	1.26	7.60	2.45	15.00	8.60	56.63	5.57	37.24	
17.	Belgium	7.35	39.97	5.41	32.74	4.32	26.41	4.67	30.46	5.50	36.84	
18.	Canada	9.37	50.97	6.14	37.13	5.00	30.57	4.83	31.70	5.16	34.52	
19.	Denmark	2.74	14.9	3.88	23.48	3.73	22.83	3.2	20.98	4.39	29.39	
20.	Norway	3.68	20	4.35	26.37	5.54	33.86	3.43	22.42	4.03	27.07	
21.	Other Countries	70	380.92	74.63	451.62	79.32	485.04	69.95	456.68	57.25	383.22	
	Total	516.80	2,811.97	369.11	2,233.11	367.41	2,246.48	360.02	2,353.33	357.53	2,392.21	

Source: <http://www.hejpcindia.com/export-scenario/>

There were a few perks for the handloom sector too which would act as growth boosters: (i) Increase in excise duty of readymade and branded garments which are priced ₹1,000 and above, from 'Nil' without input tax credit or 6%/12.5% with input tax credit to 2% without input tax creditor; (ii) Reduction in basic customs duty of natural fibers and cotton yarn from 5% to 2.5%, and removal of import duties on fabrics used for production for export. This will help in enhancing the skills of weavers, value addition in designs and reducing the costs and sale price of handloom cloth. Also, this will help in building a level playing field for handlooms and power looms.

Social Factors Affecting the Handloom Sector

As per the Handloom Census (2009-10), there are 27.83 lakh handloom households and 43.31 lakh handloom weavers in India. The household size on an average is 4.59 and number of workers per household is 1.56, the work participation rate being 33.9%. Handloom is predominantly a rural activity with 36.33 lakh (83.88%) workers living in rural areas and 6.98 lakh (16.12%) in urban areas. 50% (21.6 lakh) of total weaving workforce belong to the North Eastern states and the remaining 21.8 lakh are distributed among other states, the major states being West Bengal 7.8 lakh (17.9%), Tamil Nadu, 3.5 lakh (8.3%), Andhra Pradesh, 3.6 lakh (8%), Uttar Pradesh, 2.6 lakh (5.6%), Orissa, 1.1 lakh (2.5%), Karnataka, 0.9 lakh (2%) and other states, 2.3 lakh (5.3%). The handloom workforce is predominantly female, constituting 77.4% of the total workforce.

Employment, Production and Income: Weavers get 183 days of work in a year along with the allied workers who get work for 217 days. Therefore, on an average, the weavers are employed for 191 days. The weavers residing in rural areas work for 173 days and the ones residing in urban areas work for 248 days. As per Handloom Census of 2009-10, the average income of weavers per year is ₹36,498 (refer Tables 6 and 7).

Category	Average Annual Earning (₹)
	2009-2010
All India	36,498
Rural	37,167
Urban	32,030

Type of Dwelling	Rural	Urban	Total
Kuchha	1,441,473	77,159	1,518,632
Semi-Pucca	678,024	177,554	855,578
Pucca	301,620	107,441	409,061
Total	2,421,117	362,154	2,783,271

Source: Handloom Census 2009-10, Report by Ministry of Textile, GOI

Technological Factors Affecting the Handloom Sector

Introduction of Handloom Technologies

Production of handloom can be classified into two types: Pre-loom activity and Post-loom activity. Weaving, winding, sizing, warping and beaming are termed as pre-loom activity, while bleaching, printing, calendaring and finishing are called post-loom activity. An upgradation of technology will increase the productivity and ensure better quality cloth production. For example, the use of solar charkhas (spinning wheels) in Odisha has made the spinning of hank yarn faster and cheaper. The solar charkhas can produce up to 75-90 hanks of yarn in 8 h as compared to the 25-30 hanks made by the handspun charkha (Fibre2Fashion, 2016).⁷ However, non-availability of good quality of raw material (yarn) at reasonable prices is one of the major concerns for the handloom sector.

The de-linking of yarn production from cloth production had a negative impact on the handloom sector. During the British rule, India was an exporter of raw cotton and importer of spun yarn. This affected the textile industry as a whole. The yarn was supplied at a much higher price and with capping on quantities. This fact was exploited by the middlemen who charged prices at their discretion. Therefore, the introduction of solar charkhas will increase the quality and quantity of yarn and middlemen can also be eliminated from the value chain. Apart from this, the government is also supporting technologically by setting up Common Facility Centers (CFCs), which have Internet facilities along with loom facilities. E-Commerce platform and ERP implementation will help in the online generation of invoice, placing of order for raw material etc., thus increasing transparency and elimination of cooperatives. E-Commerce giants such as Amazon India, Flipkart have already tied up with the government for sale of handloom products on their portals. The weavers would be able to sell their products directly to customers nationally and internationally. This would also help them know about the latest fashion and products in demand. Also, this would eliminate the need for government-funded spaces as these are allegedly increasing corruption, lack of quality control and irregularity in stocks and inventories.

Competition with the Power Looms

The rise of the power looms over the last few decades and the protectionist attitude towards the handlooms has led to the deterioration in the competitive spirit of the handloom sector. Value of Indian exports for the year 2015-2016 for Ready Made Garments (RMG) was \$15,446.97 (USD in mn), while for handloom products it was \$337.27 (USD in mn).⁸ The rise of power looms is the biggest threat to the handloom sector as power looms use techniques and machines and replicate the handloom products at much faster and cheaper rate. Power looms are preferred by the foreign investors under the 'Make in India' campaign too, resulting in loss of market share for handlooms. This is due to the

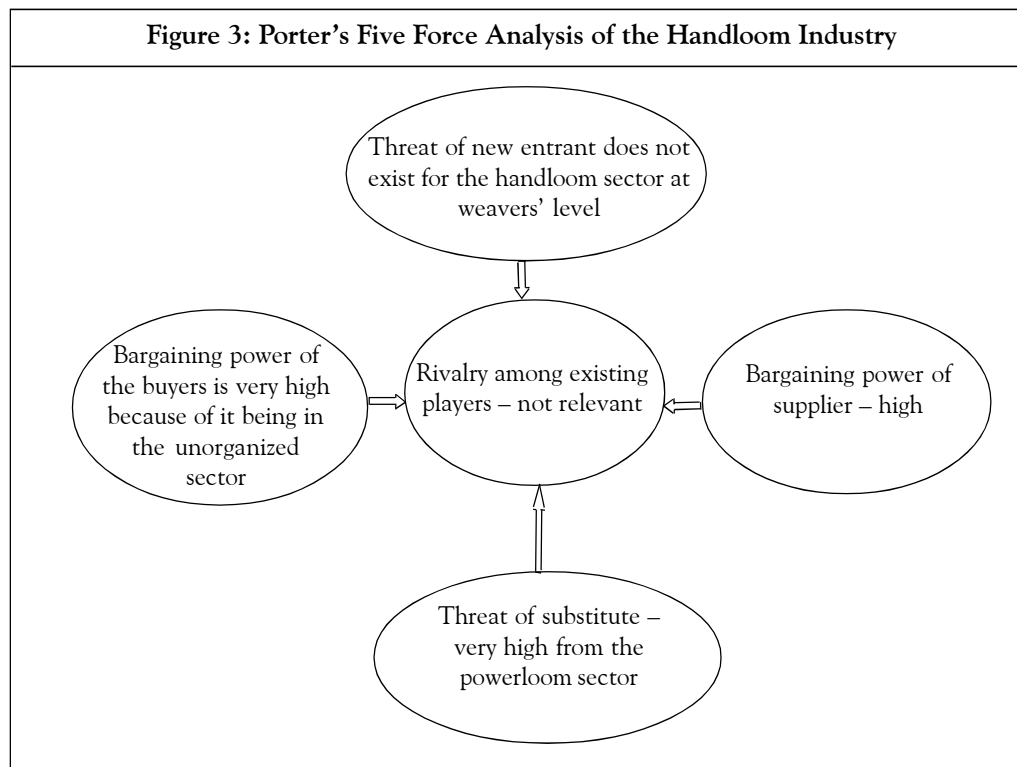
⁷ <https://www.fibre2fashion.com/news/textile-news/solar-charkhas-set-to-change-khadi-sector-178312-newsdetails.htm>

⁸ Report on "Export of Readymade Garments" by Directorate General of Commercial Intelligence & Statistics, Kolkata 2016 and Handloom Export Monthly News Letter July 2016.

inherent advantage of being a centralized industry as opposed to handlooms which is a decentralized, cottage industry. Power loom sector has a strong lobby which is pushing for redefinition of handloom so that the raw material and other tax concessions can be availed by power looms too. The power looms will be able to replicate the traditional patterns on a large scale and sell the products at a cheaper price and redirect a lot of the raw material intended for the handlooms. But the government has not shown any signs of favoring the power looms. A press release by the Ministry of Textiles in 2014 expressed that no change is contemplated by the Ministry in the definition of handloom and by extension, a handloom-produced cloth.

Assessing the Structural Attractiveness of the Handloom Industry

It is very important to know the profitability of an industry in order to analyze its performance. Using the five force model, we can assess how different forces have a bearing on the industry and impact profit potential (see Figure 3) . Porter (1985) suggested a framework consisting of five forces which helps in analyzing the performance. The same has been used in detail below with specific reference to the handloom business in India.⁹



Bargaining Power of Buyers

For a weaver, the buyers are customers, cooperatives, master weavers and traders. These buyers are at different levels. The bargaining power of these buyers is too high as they are comparatively

⁹ Information compiled by the authors after interviewing the handloom weavers of Varanasi (Bazardiha, Lallapur, Shivala area).

organized and have the capacity to buy huge volumes. The weavers, on the other hand, are largely unorganized. Since these buyers purchase in bulk, they are in a position to bargain. Also, there are numerous weavers in the market, which reduces their bargaining power. Another aspect is the low switching cost for the buyers. Most of the time, the weavers are in debts, and so in order to repay the loans, they sell the products without much bargaining.¹⁰

Bargaining Power of Suppliers

The suppliers too are organized and concentrated compared to the weavers. The raw materials such as yarn and dyes are the basic requirement for weaving. They have no control over the supply of raw materials and often there is scarcity and irregular supply of raw materials. Spinning mills and power looms are considered to be major and important buyers compared to the handloom buyers who are placed below them. The raw material is quite specific and the substitutes for these raw materials are not available in the market. Although handloom weavers have the facility of availing subsidized raw material, they are often not able to avail this because of lack of awareness, poor literacy and presence of intermediaries.¹¹

Threat of New Entrants

Entry of new weavers or cooperative of weavers is not a major threat since the industry has been on the decline. Not many would wish to enter into this business given the high risk and volatility. Due to low wages and poor working conditions, this sector is not considered as attractive as power looms. So threat of new entrants remains low. This has been corroborated by the authors who have gathered information after interviewing 67 handloom weavers of Varanasi (Bazardiha, Lallapur, Shivala area).

Threat of Substitute Products

This is the major threat affecting the handloom sector. The products made from power looms look similar and are produced in lesser time. The prices of the products are low compared to handlooms. The customers are not able to differentiate between the two types of products and often prefer power loom products because of lower price. Economies of scale is what gives power loom an edge over the cost of the products. Also, the power loom products are available as Ready Made Garments, whereas handloom products are generally in dress material form which again gives advantage to the power looms. Power looms can easily change the type of product as per the latest fashion due to technological advancement and faster production, which is not the case with handlooms.¹²

Rivalry Among the Existing Players

The individual weaver is a very small entity at a sector level since the number of weavers is quite large and therefore rivalry among them is not a concern. All clusters are unique in terms of designs and fabric which differentiates them and reduces competition.

¹⁰ *Ibid*

¹¹ A study report by Chethana Society on "Market Assessment Study for Indian handloom Sector". In this report, detailed analysis of value chain of handloom industry has been conducted using Porter's Five Forces Model.

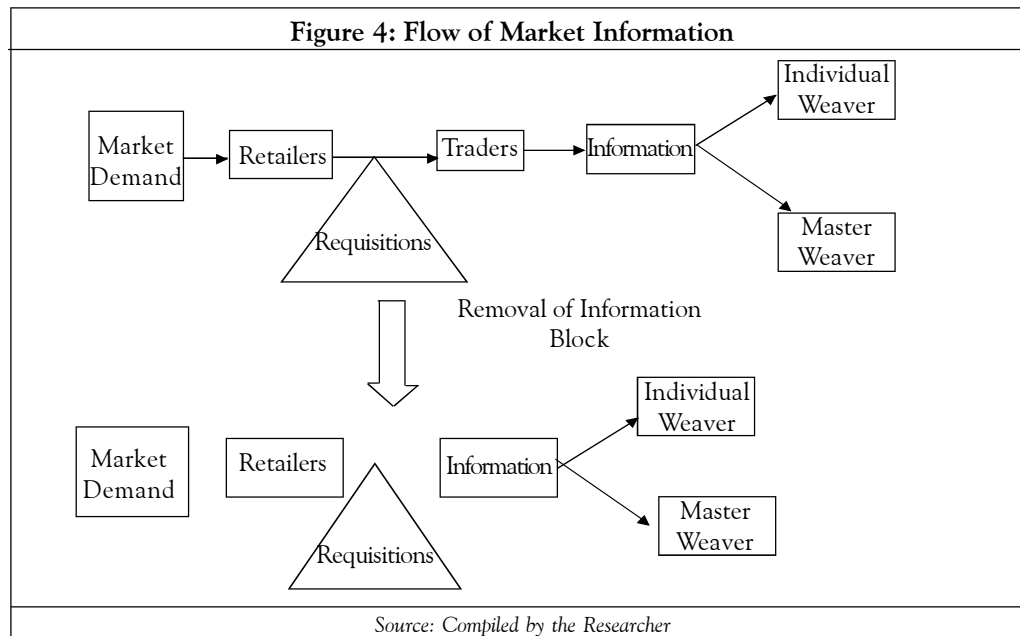
¹² http://www.pacsindia.org/case_studies/weaving-model-vakar.

Based on the above analysis, it is evident that the sector is not an attractive proposition for any new entrant and in general is a difficult business to pursue.¹³ This sector does not appear very attractive for new investments, so in order to revamp this sector some changes are suggested.

Value Chain

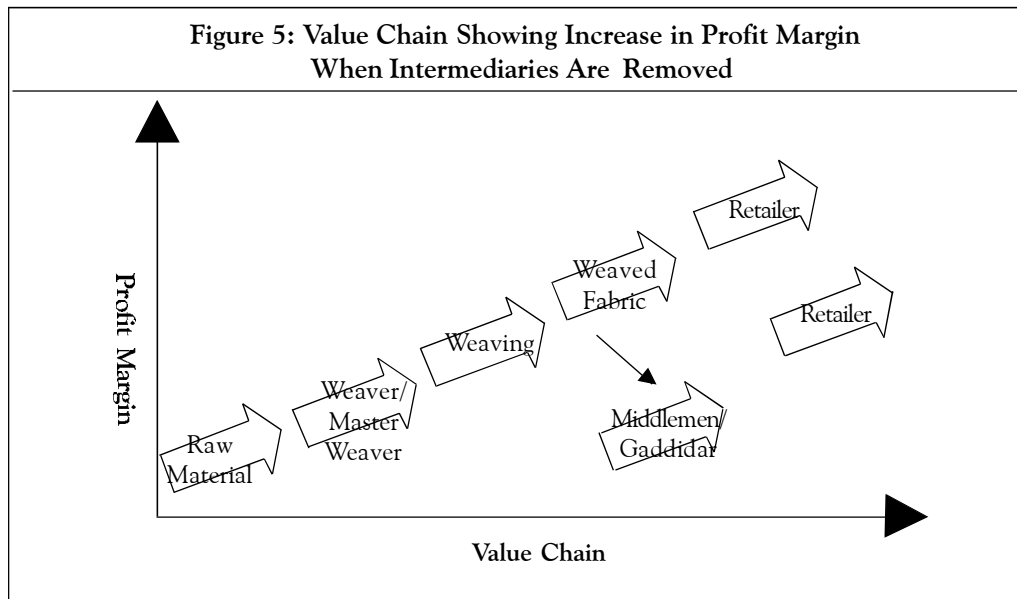
After the above analysis using PEST and five forces, we suggest an improvised value chain for the handloom sector. We assume that this value chain will eliminate the role of intermediaries and benefits will flow directly to the hands of individual weavers. It is quite evident from the above analysis that intermediaries/middlemen are major deterrents in the upliftment of weavers along with other factors such as lack of awareness and illiteracy. Government's positive outlook can help in elimination of these factors. The role of gaddidars is quite prominent in Varanasi. Here the Gaddidars/Middlemen are majorly from business communities such as Aggarwals and Marwaris, whereas the weaving class is majorly dominated by Muslim Ansaris (Shaw Tanusree, 2015). The middlemen are the ones who actually control the handloom market. Occasionally, the weaver sells his items of clothing to the consumer directly in the open market, but the middleman is mostly involved in these deals and takes his share. In his role as a buyer, the middleman exploits the psychology of the weaver subtly but powerfully. Knowledge of the weavers' poor economic condition is used to advantage by the middleman (Thakur, 1995). If their presence from the value chain can be eliminated, the weavers can directly interact with the buyers and can sell their products taking the profits in their own hands.

If intermediaries are removed from the value chain, the flow of the profit margin can be depicted as in Figure 4.



¹³ A Aman (2015), "Employment in the handloom Industry", Doctoral Dissertation. Retrieved from <http://shodhganga.inflibnet.ac.in/bitstream/10603/44201/6/chapter-4.pdf>

Figure 5 illustrates that there is decrease in profit margin of the weavers when the middlemen come into picture. They act as the intermediary between the retailers and the weavers and take away the major share of profit, which otherwise should have gone to the weavers. Middlemen being the point of contact between weavers and consumers and information asymmetry leads to minor share of profit going to the hands of weavers (Jain *et al.*, 2017). Almost as large as 50% margin on profit goes to the hands of middlemen. “Middle men will sell a sari for around 50% mark up and then the showroom will put another 50% mark up on it, so it actually becomes 100% more in total.”¹⁴ If the presence of these gaddidars/middlemen can be removed from the value chain, there can be drastic change in the plight of weavers. The middlemen are the ones who control the entire market. This has been corroborated by the authors who have gathered information after interviewing weavers and traders of the handloom industry of Varanasi (Bazardiha, Lallapur, Shivala area). On an average, it takes around 18-20 days to weave a normal Banaras sari and wages are paid to the weavers at ₹250 per day. The middlemen on paying the wage of ₹5000 procure the saree from weavers and sells it to the retailers for around ₹7000, making 40% profit. The weavers are only paid wages and have no say in profit margins. The lack of awareness is the prime reason for this. However, the government has now come up with many interventions along with schemes that can be the driving force in removing this major hurdle.



Conclusion

The handloom industry, when examined using PEST analysis, revealed that political and economic factors are the reasons for its sustenance and relevance. Government intervention through its various schemes has given a strong political support. The exports data from the handloom sector too are quite impressive, indicating favorable economic environment.

¹⁴ http://www.pacsindia.org/case_studies/weaving-model-vakar

Technical factors such as power looms advancement pose a major threat, so measures have to be taken to protect the interests of the handloom sector, especially the weavers. From Porter's model, it is quite evident that the bargaining power of suppliers and buyers and threat from the power loom is high. Therefore, strong measures should be taken by the government to control these. Also, the presence of intermediaries is a major deterrent for the handloom sector. The role of government has been a facilitating one. But still the plight of the weavers remains the same. In the long run, if the weavers are empowered enough, social factors will improve. The industry can survive the competition from technological advancements by its unmatched intricacies (in terms of designs) and government interventions.

Scope for Future Study: Future research can be conducted by empirically validating the value chain of the handloom industry with the help of suitable statistical tools as the current study was based on theoretical inputs only. This will help in the creation of a sustainable model for the value chain, which can help the weavers find a profitable place in the handloom industry of Varanasi (Bazardiha, Lallapur, Shivala area). ✪

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