

Implementing Business Development Services in Kolkata Leather Cluster



Executed by:

Entrepreneurship
Development
Institute of India
Ahmedabad, Gujarat

Supported under:

MSME Financing & Development Project (MSMEFDP)



BDS Market Development Plan



Fig. : A Schematic Presentation of the BDS Market Development Plan



Dinesh Awasthi
Director-EDI

Foreword

There have been certain radical changes on the Indian industrial turf demanding noticeable response from all quarters to benefit the Small Scale Sector industry sector. The new rules of managing competition demand a step-by-step strategy to not just sustain but also excel. It is encouraging to note that the Government, realizing this need, has come forward with a huge support infrastructure. An important aspect of this is subsidized business development services consultancy and counseling in the form of to small industry owners so that they can implement right decisions and access right facilities. EDI with decades of experience in entrepreneurship and cluster development appreciates and endorses the role of business development services.

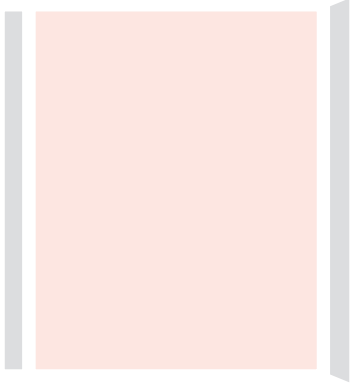
There needs to be awareness among entrepreneurs about Business Development Service Providers (BDSPs) as they play a significant role in propelling small industry owners towards success. On the flip side, however, the cadre of BDSPs needs to command contemporary knowledge on business related areas so as to facilitate growth and performance improvement for existing small entrepreneurs.

By executing this project successfully, EDI has attempted to impart a winning edge to SMEs by making available expert business development services and by parading a focused approach to strengthen the market of business development services.

I think as we talk about heralding the 'Knowledge Economy', it is time that our entrepreneurs value the significance of awareness, right skills and attitude in business. Research studies, sensitization and awareness workshops and capacity building programmes, which will be undertaken by BDSPs, will certainly turnaround the facade of entrepreneurship. Even Industry Association executives and other policy makers have been counseled and trained in a way that they move beyond their role as facilitators and act as business development service providers.

We are aiming high but very soon the time will come when entrepreneurs will engage BDSPs for conceptualizing and developing innovative business ideas.

Message - SIDBI





Business Development Services... a Boon for MSMEs

Global economic integration has today become a fact that the entrepreneurs have to live with. The world of multinationals and disappearing boundaries of nations have become irreversible sooths of the Indian business scenario. India's economic boundaries are more international today. While a window of opportunities has opened up for entrepreneurs, smaller firms are likely to come under severe resource pressure, lest they adhere to benchmarks, like, value added products, international quality, competitive prices and appropriate technology.

The MSME Sector plays a vital role in the country's economy. Their contribution in GDP, in creating income and employment generation is worth appreciating. However, the present scenario demands that to burgeon they will have to master the new rules of governing competition.

Under the changed world economic order, many a time MSMEs find it difficult to survive and grow. Increasing market competition, pressure of up-grading technology and hence productivity are all facts that are haunting the sector. Cost based competition is eroding their profit margins. Limited access to institutional finance too, is putting strain on their financial resources. Therefore, in order to solve the problems of MSMEs through provisioning of quality business development services and facilitating institutional credit to the MSMEs, the project entitled

“Implementing Business Development Services (BDS) in Indian MSME Clusters”, also known as BDS Market Development Project, was commissioned with the support of the World Bank, Department for International Development (DFID), UK, Kreditanstalt für Wiederaufbau (KfW) and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Germany. Small Industries Development Bank of India (SIDBI) was the implementing agency in this project.

Developing BDS Market and ensuring provisioning of quality BDS to the MSMEs were the main objectives of this project. Attempts were made to address the demand and supply side of the BDS market through adoption of strategic measures. Issues like availability and quality of raw material, technology upgradation, productivity and quality improvement, marketing and export development, improving management practices, adoption of financial discipline, increased access to formal finance etc. were handled prudently.

Defining BDS:

Business Development Services (BDS) are generally defined as "services that improve the performance of the enterprise, its access to markets, and its ability to compete. The definition of business development service.... includes an array of business services such as training, consultancy, marketing, information, technology development and transfer, business linkage promotion, etc. both strategic (medium to long term issues that improve performance) and operational (day-to-day issues). BDS are designed to serve individual businesses, as opposed to the larger business community."

(Source: Committee of Donor Agencies for Small Enterprise Development, 2001)

Three types of Business Development Services namely strategic, embedded and generic services were covered under the preview of this project. However, primary attention was paid on strategic BDS as it proved quite effective in addressing major problems of the MSMEs operating in the select MSME clusters in the country. This was considered effective in supporting their growth.

Types of BDS:

Generic BDS: 'Generic' services are basically routine services that are transactional in nature. Examples of such services are consultancy in the areas of tax, labour law, factory inspection, book keeping and accounts etc. These services are generally available easily and at times are available in large quantities.

Strategic BDS: 'Strategic' BDS are the services which can significantly impact a firm's operation, capability in one or more functional and management areas. It can help in upgrading value chain of an enterprise. Services targeting areas like technology upgradation, productivity improvement, design, marketing, diversification, brand building, testing, financial linkage, growth, business plan preparation etc. fall in this category.

Embedded BDS: 'Embedded' services are generally bundled with some products or services. Services of a machinery supplier who provides BDS like maintenance of machines, technical support, training, after sales service etc. for which the user does not have to pay extra, comes in this category. Training on appropriate use of machines by a machinery supplier, training on checking quality of raw material and its optimal utilization by a raw material supplier, fall in this category.



The BDS market, with its infinite reservoir of expertise holds the potential of refurbishing the MSME sector by addressing their functional and management problems and facilitating their growth in the era of globalisation.

Project Background

The flexibility, adaptability and potential for employment generation that MSMEs possess, assign them a critical place in the Indian economy. The sector has successfully contributed to employment creation, poverty alleviation and has also addressed regional imbalances. Their contribution to GDP is worth appreciating. Government of India has been taking proactive steps in the direction of strengthening the competency of Indian MSMEs. The Eleventh Five-year plan of the Government focused on the MSME sector for achieving various growth targets. The MSME Act 2006 has been another ambitious step in the direction of creating an enabling environment.

However, one of the lacunae MSMEs face in our country is non-availability of quality Business Development Services (BDS) which affects the performance of firms operating in the cluster. Unlike their large counterparts, MSMEs find it difficult to hire experts in various

functional and managerial areas on a permanent basis due to their limited financial capability. On the other hand they are not aware of the availability of quality BDS in the market. Many of their operational and management problems remain unresolved due to non availability of right kind of BDS. Further, it's been felt that for sustainable growth of a cluster, a well developed BDS market is important.

In the light of this, the Implementing BDS in MSME Cluster project was commissioned in 16 MSME Clusters in the country. It was a part of the SME Financing and Development Project (SME-FDP) supported by the World Bank, DFID, GIZ and KfW. While SIDBI was assigned with the responsibility of implementing the project, Banking Division, Department of Economic Affairs (DEA) of the Ministry of Finance, Government of India was the Nodal Agency for the same. In order to ensure smooth implementation of the project, SIDBI had set up a Project Management Division (PMD) at New Delhi.

In a comprehensive multi-stage selection process EDI was chosen as a Facilitating Agency in this project. The Institute was assigned the responsibility of implementing the project in 4 clusters namely, leather clusters at Kolkata, Santiniketan and Chennai and dyes & chemical cluster at Ahmedabad.



The Aims:

- Foster BDS market development
- Strengthen access of MSMEs to BDS
- Help make BDS providers in the clusters self-sustainable
- Develop select clusters as 'role models' with strong demonstration effects.

The objective of this Project was to, inter-alia, improve MSME access to finance and market oriented BDS, thereby fostering MSME growth, competitiveness and employment creation. The Project was designed to achieve this objective through a multi-pronged approach that address key bottlenecks to MSME financing, growth and competitiveness through intervention to strengthen BDS market and linking them up with the MSMEs for their sustainable and holistic development.

The Nature of BDS Demand & Supply

Deficiencies in BDS market in clusters vary in nature. Either the BDS services are not appropriate for the type of MSME or they are not cost-effective, or are unavailable, or not 'packaged' or delivered in the desired manner. Such deficiencies in both demand and supply were addressed by either transaction subsidies or specific interventions, like creating awareness amongst MSMEs improving quality & accessibility of services, new product development and capacity building for BDS providers etc. The outcome was envisioned in terms of improvement of MSME access to market oriented BDS, thereby fostering MSME growth, competitiveness and employment creation.

The project commenced on 13th March, 2009. It envisioned fulfilling the objectives over a period of 32 months from its commencement.

Action Plan:

The project was initiated with conducting diagnostic study in select 4 MSMEs clusters. The aim was to assess problems of MSMEs and BDSPs, understand the demand and supply side of the service market, and delineate the scope for improvement.

On completion of the diagnostic study action plans were readied in the clusters. The major focus areas of the action plan were as under;

- Capacity building of BDSPs including financial service providers, improving quality and accessibility of services, new product development etc.- Supply side
- Sensitisation and capacity building of the MSMEs-Demand Side
- Establishing MSME-BDS linkages

Capacity building of BDSPs, improving quality of services, developing new service products etc. were done so that the BDSPs can cater to the increasing requirements of the MSMEs and MSMEs after utilising value added services from the BDSPs could improve their business performance. The objective was to address problems of MSMEs, facilitate their growth and improve their competitiveness through provisioning of value added quality business development services by the BDSPs. The role of the business membership organisations here was to strengthen MSMEs-BDSPs linkages and institutionalizing the development intervention.

Expected Outcome

The project was expected to lead to:

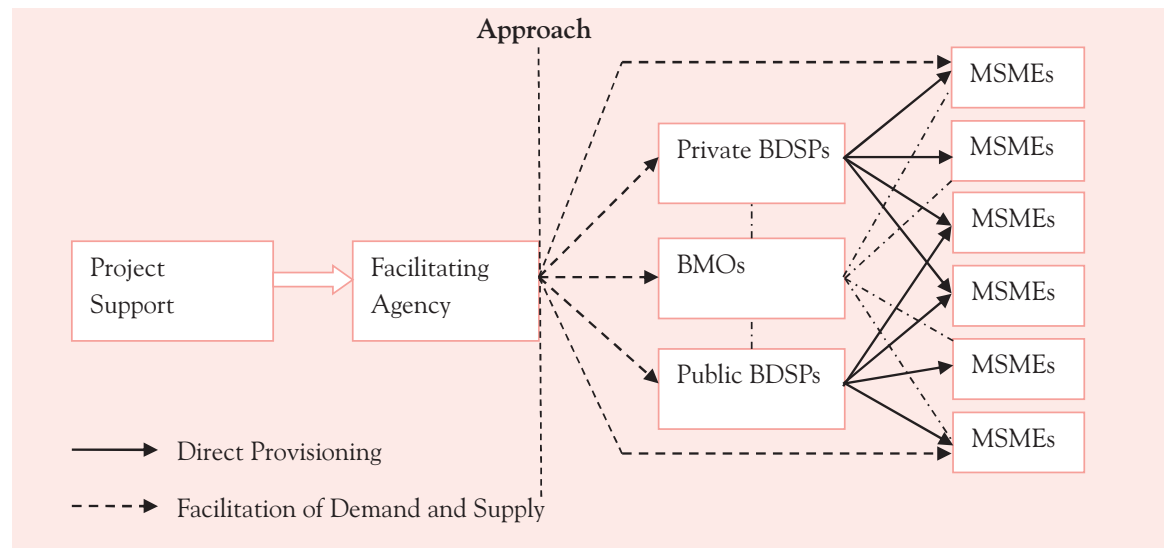
- Induction of new BDSPs and up-scaling of the existing business development services
- Increased BDS usage by MSMEs
- Better packaging of business development services with emphasis on advantages to MSMEs
- Improved access of finance for MSMEs
- Product development
- Quality and service benchmarking
- Preparation of BDS Directory/BDS Data Bank
- International market exposure to entrepreneurs
- Preparation of case studies on 'best practices' / 'role models'
- Sustainability of the BDSPs intervention
- Improved competitiveness, income & employment generation at the firm and cluster level, and
- Local Economic Development (LED)



The following diagram delineates the project, its intervention approach and expected outcome;

It is important to mention here that unlike the traditional approach of BDS intervention in many countries, where primarily reliance was laid on providing direct services to the MSMEs through public BDS or permanently subsidizing their services, here emphasis was laid on BDS market development wherein efforts are made to upgrade quality of existing services, offer value added services, through training of BDSPs, introduce new service products, capacity building of business membership organisations (BMOs), establish MSME-BDS-Institution linkages and increasing demand for BDS amongst MSMEs. Here both private and public BDSPs were assumed to take higher responsibility in terms of providing quality business development services to the MSMEs.

The following diagram delineates this approach of BDS market development.





The Magic of Leather and the Reasons Behind Turning Around this Sector at Prominent Locations

Leather needs no introduction. It's been there since the time man began evolving – *only the 'kind' varied*. Somewhere hidden in the story of mankind is the story of emergence of leather. Man started using nature to meet his daily requirements and animal skin and hides became a part of his needs. Experiments after experiments led to improved leather from hides and ultimately to fascinating products from treated leather.

Today the sector is beaming with potential and can be quoted as a result-churner when it comes to making a meaningful contribution in the areas of employment, exports and economic growth. The Indian leather industry is spread over sub-sectors and produces a wide range of products. Small artisans to prominent global players render an enviable position to this industry. The country which was a mere exporter of raw materials in 1960s is now known for its value-added products, to a fair extent.



Skill Development Training Programme in Progress

Considering that India is the largest livestock holding country and its contribution is 10% to the global finished leather requirements, one can derive that the scope is immense. The sector needs to become more vibrant in terms of efficiency, quality finishing, design and technology to cater to the untapped Indian market and foreign shores.

It was felt that all such issues and many others could be addressed and sustainable development of the MSMEs could be induced if the market for Business Development Services (BDS) was improved in these clusters.

At a Glance

- Global imports of leather and leather products is growing at a Compound Annual Growth Rate (CAGR) of 8.77%.
- Major importing countries are USA, Hong Kong, Italy, Germany, France, UK and Japan.
- Major exporting countries are China, Italy, Hong Kong, France, Germany, Brazil, Belgium and India.
- India is the 8th largest exporter of leather and leather products and has 3% share in the global market.
- India's export basket:

Finished Leather	– 22%
Leather Goods	– 23%
Leather Garments	– 10%
Saddlery & Harness	– 3%
Footwear	– 42%
- Leather industry is among the top 10 export earners in the country.
- It employs more than 2.5 million people.



...And the Kolkata Leather Industry was Born

In 1910, a chemistry graduate Mr. B.M. Das, set the ball rolling for the Kolkata Leather Industry. Little did he know that with his initiative – the Bengal Tanning Industry - his name would go down history in golden letters because he had begun an era that was to see the emergence of some of the most innovative, creative and enterprising minds. One thing led to another and within months the English and the Chinese set up their processing units. Post-independence, during 1972-73, Government of India set up the Sitarammaya Committee which suggested export of value-added leather products instead of exporting wet blue and semi finished leather. That was the turning point for the sector as several units emerged and started exports to erstwhile USSR and then to other European countries.

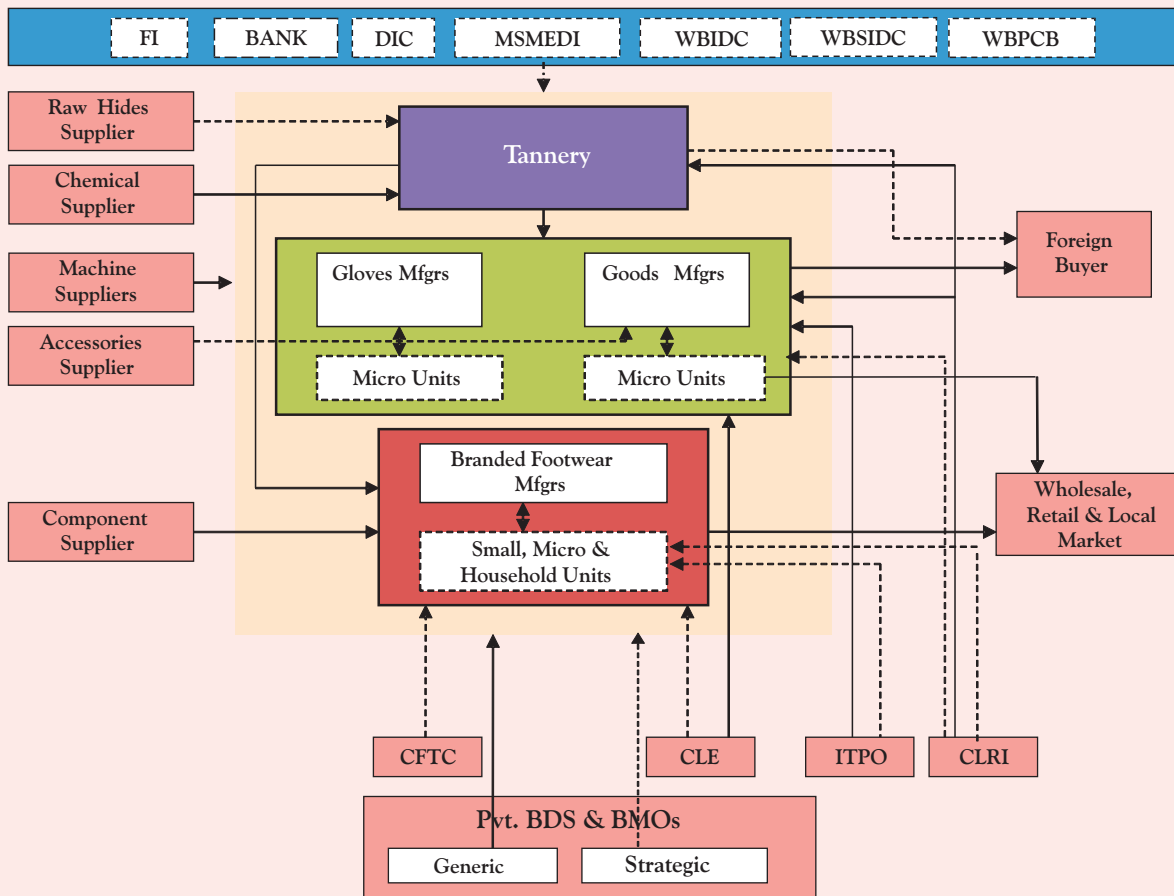
The industry received a momentous twirl when Czech company, Bata Limited, started manufacturing shoes from Batanagar in 1936 and subsequently Kolkata became the hub of leather footwear activities.

BDS Project Portal of the Leather and Leather Products Cluster, Kolkata

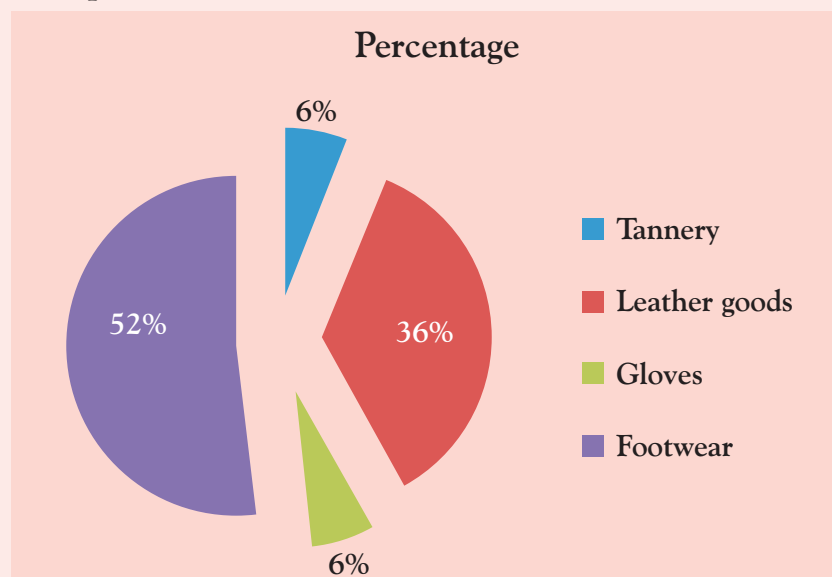


Cluster Map

Cluster Map of the Leather Cluster, Kolkata delineating Cluster Echo System is presented below. This Cluster Map manifests linkages amongst MSME units, Public and Private BDSPs, support institutions and backward and forward linkage members.



Composition of the Cluster:



Pre intervention status (Year 2009)

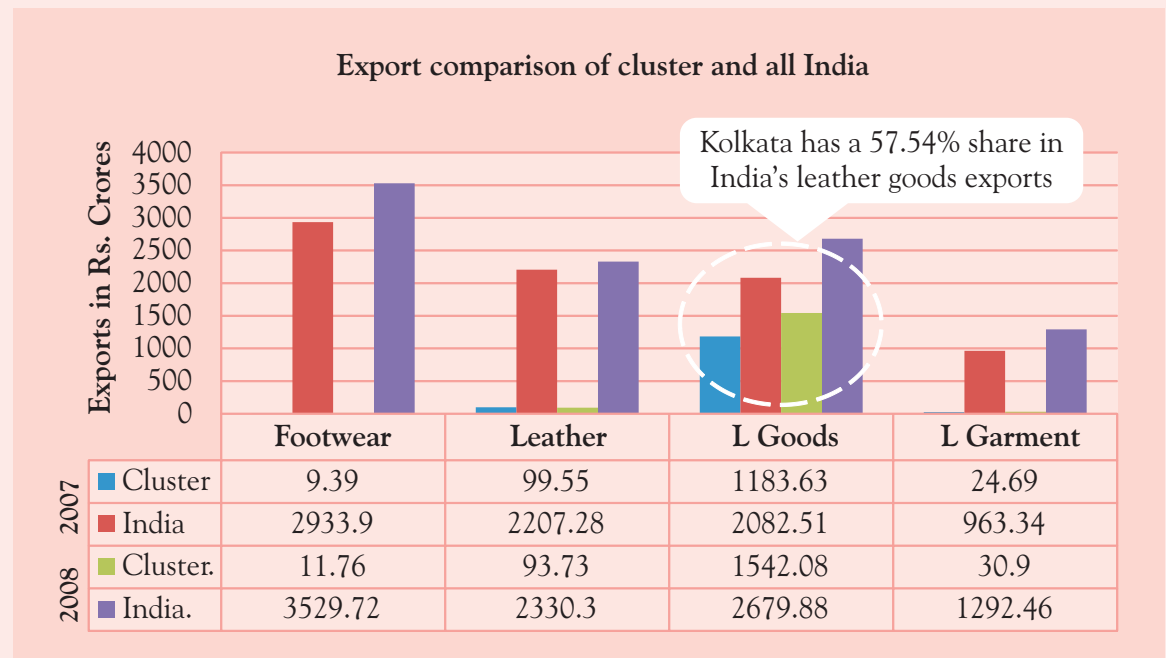
- Around 4024 leather units
- 62440 people employed
- 49300 millions (approx.) of turnover
- Kolkata Leather Cluster covers areas of Kolkata city and the adjoining areas of Calcutta Leather Complex, at Bantala, and in Topsia, Tangra, and Kasba, Janbazaar, Rajabazaar, Nungi, College Street. The units located here source raw materials, accessories, skilled labour, machinery and components from different places.

The Face of Kolkata Leather Cluster

Kolkata manufactures a diverse range of products which mainly cater to the export market. The product range includes finished leather, leather goods, footwear and industrial gloves.

The local Industry comprises various sub-sectors which operate on different value-chains. At times, even in the same sub-sector there are units operating on different value-chains depending upon the scale of production and various stages involved in processing. The leather industry is quite vast and diversified with each sector dealing with its own set of problems. Yet, some common problems that haunted the MSMEs are infrastructure, finance, technology, marketing, design and deficiency of trained labour.

Profile of the cluster



BDS Market Segments

The BDS market predominantly consists of three segments.

Public BDS - These are government organizations that provide free or subsidized services.

Private BDS - There are a number of private BDS providers in the cluster providing generic and strategic services.

Business Membership Organizations (BMOs) - These are industry associations formed within sub-sectors for joint development and advocacy. Such associations are mostly membership based.

Informal BDS - These are offered by the peer group of entrepreneurs without any fee and is not accounted for, many a time.

The BDS Market Status in Kolkata

The diagnostic study that EDI conducted under the project revealed that the BDS market in the Kolkata leather cluster was in its nascent stage and highly unorganized. Entrepreneurs did not trust business development services to improve their prospects. The extent of lack of awareness was jarring. The cluster housed around 100 micro and house hold units that relied entirely on conventional methods and were in dire need of Business Development Services. Reduction in terms of quality and economies of scale and scope was conspicuous. The minimum profit margin that they worked on also did not allow them to avail business development services.

In the small and medium sized enterprises' segment, about 2400 in numbers, the awareness was a tad better. These units employed the services of transactional BDS like those of Chartered Accountants and tax consultants, on a regular basis. Sometimes strategic BDS was availed mostly in the areas of quality certification, marketing & promotion, design development, technical and technological upgradation. Quality certification and environmental compliance related consultancy services were being availed by small and medium exporters. Marketing and promotional services were being provided by some private / public BDS and BMOs like Council for Leather Exports (CLE), Indian Leather Products Association (ILPA) and Indian Trade Promotion Organization (ITPO). But the percentage of units employing business development services was still miniscule and there was lack of awareness, understanding, reach and retention of BDS by the MSMEs. Moreover, there was a problem with the supply side of the BDS market. Thus the scope for development in this area was huge both in terms of creating awareness among entrepreneurs and in terms of strengthening the BDS market.



Ms. Rituu Gupta, Managing Director, Rituu Exports Pvt. Ltd., Kolkata looked forward to the cluster depicting more unity. She believed that there was a need for a consortia so that information and expertise could be shared among entrepreneurs. To support her view, she said that in Kolkata Leather Cluster there were around 2500 units but only 450 were registered with the Council for Leather Exports, because of which, despite a lot of knowledge and skill prevailing in the cluster, neither the entrepreneurs nor the buyers benefitted. According to Ms. Gupta, BDSPs can pitch in to take the responsibility of this and link MSMEs with export houses to promote their sales. Ms. Gupta was also keen on skill enhancement programmes, especially for women, in which case she said that she would employ all the trained women.

Interventions carried out under SME-FDP:

Kolkata was a plain canvas where business development service providers could write a new story everyday. But that still remained to be done.....the potential remained unharnessed. Only some generic BDSPs inscribed a tiny tale, here and there, on the face of the cluster. There was, hence, an urgent need to bridge the demand-supply gap.

A multi-pronged approach was adopted to address this gap. The objectives that it set for itself included;

- Facilitating BDS market development and need based hand holding.
- Introducing new strategic business development services.
- Involving more service providers in the leather cluster.
- Building a cadre of new BDSPs in various areas and also developing capacities of existing BDSPs and BMOs.
- Creating demand for quality services among MSMEs.
- Facilitating transactions between MSMEs and BDSPs by improving awareness and outreach.
- Institutionalizing BDS market development plan on a sustainable basis.



Entrepreneurs and BDSPs sharing their opinion in the CDCC meeting

New BDSPs introduced in the Kolkata cluster

Area of Specialization	No.
Skill development	11
Design development	26
International marketing	16
Market survey (domestic & international)	14
Testing	1
E-marketing	2
Productivity	5
Credit rating	2
Energy audit	2

Training of BDSPs

Kolkata and the vicinity around it house a few design schools that abound in trainers teaching design development. However, the trainers were not always very well versed with the avenues that could help them remain abreast with the latest in design trends. Also, they had to be trained to think out-of-the-box, be more initiative taking and develop designs that instantly clicked with the masses. They needed to endorse the significance of keeping themselves updated about the twists and turns of the new age fashion industry. Under the aegis of SME-FDP, EDI conducted Training of Trainers Programmes which created awareness among the participants and helped them in creating 60 new and innovative designs that breathed a fresh whiff of success. In addition, capacity building programmes of Business Member Organizations also continued in order to make these associations self sufficient in carrying out required activities. Training of BDSPs was, therefore, conducted in two ways. The new Business Development Service Providers were given a thorough introduction of the project alongwith need based training, to induct them smoothly into the project. Besides, capacity building programmes for BMOs and Trainers were conducted to strengthen the BDSPs further in their niche areas. To institutionalize BDS, the ILPA Technical School was created so that technical training could be easily made available on the various segments of the sector. BMO capacity building, developing audio visual training module, BDS directory, linkage with international BDSPs complemented the efforts.



According to Ms. Sangeeta Agasty, Deputy General Manager, Foundation for MSME, Kolkata (the Project Monitoring Agency), “We are satisfied with the results and the progress achieved amidst all the breathtaking challenges. Before EDI took up the project, there was neither any demand for business development service providers nor did any BDSP exist. Moreover, As part of the project, 12 new BDSPs have been developed by involving the Indian Institute of Social Welfare and Business Management (IISWBM) on Marketing Research Technique. At Kolkata, services of 60 new BDSPs have been introduced under the project. The areas lacking, such as; credit rating, finance, productivity, design development, international market, as diagnosed by EDI experts were addressed very strategically by finding experts in these, inducting them into the project and then linking them with micro, small & medium enterprises and entrepreneurs.”

Skill Development

The coming times definitely belong to those who are skilled and technologically sound. If Kolkata was envisioned as a 'Leather Land Extraordinaire', it had to flaunt extraordinary skills. The project set this as a task for itself. It took the onus of addressing the issue of shortage of skilled manpower. Primarily, several intense skill development programmes were conducted involving several institutions, BDSPs and international experts. The programmes aimed at imparting basic skills as well as sought to upgrade the existing skills of the workers so that they could keep pace with the international standards. Product specific training on leather goods, gloves and footwear was conducted by experts in the area. The organized MSME units as well as unorganized household artisans were covered under the training programmes.



Italian consultants giving valuable tips to designers on trends and patterns

- No. of persons trained - 1799
- Creation of employment opportunities - 1295
- Enterprises created by trainees - 133
- Establishment of ILPA Technical School to ensure institutionalization of skill formation & development – Kolkata did not have professional skill training institutes. With the establishment of this institute, the major issue of shortage of skilled manpower was addressed. And, this was deemed as one of the ways to assign sustainability to the skill development process.

Overseas Market Expansion and Brand Building:

Participating in prestigious international leather fairs, like; MIPEL. The BAG Show at Milan, Italy was not new for cluster entrepreneurs. But this was practised more as a ritual, without brainstorming on enhancing the efficacy of the measure. Despite their repeated efforts to get noticed, they disappeared in a host of brilliant promotion ideas by enterprises from European and other countries. EDI intervened, brainstormed and came out with a well structured promotion and visual merchandising strategy. Kolkata leather was promoted as a brand through road shows, appropriate publicity material and banners on a massive scale. Press conference and advertisement in Fair Catalogue carried out overseas under the aegis of the project have paid dividends. Efforts paid and the Indian pavilion got noticed. Buyers thronged to the Indian pavilion, resulting in spot orders worth ₹ 9.18 crore, with total orders executed to the tune of ₹40.06 crore. This idea also appealed to the Council for Leather Exports, and, at other international fairs, they



Cluster's participation in International Trade Fair

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International Leather Goods Fair - MIPEL, Milan, Italy



Buyer-Seller meet in Tokyo



Delegation visit to Tokyo & Osaka, Japan

have begun effective pre-promotional measures to benefit wholly from this platform. The cluster entrepreneurs also explored the Japan market for exports. A market research was conducted by engaging specialised BDSP. This was followed by delegation visit, buyer-seller meet etc. This resulted in a total export of ₹ 60.95 crore. Linkages with international BDSPs and opening up of the untapped export market in Japan significantly enhanced the prospects of cluster entrepreneurs. In another landmark move, EDI opened up avenues for cluster entrepreneurs to access credit from lead banks and financial institutions for exports to potential countries.

As Ms. Dipsikha Mitra, Area Development Manager (East), SME Rating Agency of India Ltd. (SMERA) put it, “Ours is an agency that assesses the health of an enterprise in a kind of SWOT analysis. Such an analysis gives the enterprise an idea about its positive and negative aspects, thus helping it build on its positive points to gain growth and take necessary measures on the negative points to improve the standards. The agency, however, issues a certificate and a nine digit DUNS number (Duns & Bradstreet) after such analysis. Such recognition is useful for these units for getting finance from banks and financial companies and establishing their credibility across the globe, which is very important for exporters. EDI helped more than 30 enterprises acquire such certification. I wonder why this project came to an end so soon. I am sure many more enterprises are beginning to understand the importance of such a certification and their participation will further improve the leather industry climate at Kolkata.”

Design Development Initiatives:

On-line Subscription of the Magazine for Trend/Design/Fashion Forecasting

With a proper understanding of trends and designs, entrepreneurs can very effortlessly transform a humble piece of leather into a high end big buy. An interest towards following trends and designs closely, comes from an awareness of the international market. The entrepreneurs were

brought face to face with some of the markets that helped them understand designs and trends. Several units including the FREYA-IIDF Design studio subscribed to the on-line MUDPIE. This magazine helps in forecasting colours, trends and designs. The entrepreneurs can have access to new ideas and develop their designs accordingly. The designers at FREYA now use the software to develop new computer-aided designs for MSMEs. This has made entrepreneurs understand the benefits of design forecasting which is the need of the hour.



Shri K.G. Alai, CGM, SIDBI interacting with specialized private BDSP at Bantala, Kolkata

Ms. Antara Kumar of **FREYA** got associated with the project in 2010. She gives credit to EDI for helping forge contacts with SIDBI and other international agencies. This link, she believes, helped them conduct skill development programmes for the industry. Under the aegis of the project, FREYA established a design clinic and conducted design development training programmes which were an eye opener for many budding and existing designers of the Kolkata Leather Cluster. Ms. Barbara Guarducci, an Italian designer, conducted these programmes to primarily develop a cadre of BDSPs in the area of design so that high-end design requirements of the overseas market could be taken care of, and also, to continue the legacy of good, innovative designs from the cluster. During the training, 19

designers were exposed to intricacies of stylish / traditional / ethnic trends, colours, cuts and street fashion reflecting the taste and lifestyle of different countries and their innate style sensibilities. Speaking about this training programme, Ms. Kumar expressed her satisfaction and listed some concrete outcome from it:

- Design development and innovation leading to increased competitiveness, competencies and brand building for the cluster
- Introduction of new innovative styles and patterns like printed animal motifs on white leather
- Increase in productivity
- Increase in the number of buyers
- Increase in income

Under the project interventions, FREYA also installed an MPD link in the studio. Explaining the advantages of such a link, Ms. Antara Kumar said, “MPD link is an internationally known online fashion forecasting service. It provides global creative intelligence to keep track of fashion trends in terms of changing colours, shapes, styling and accessories for the season. It serves as an ultimate product development tool.” Since international market is the target now, trend forecast facilitates entrepreneurs in designing collections for presentations to buyers and also for the Trade Fairs. Ms. Kumar was happy to mention that prior knowledge helped minimize inconsistencies and incongruities between what the entrepreneurs had to offer and what the buyers expected.



Let's hear Mr. Paresh Rajda, Proprietor, Rajda Industries & Exports Pvt. Ltd. and Regional Chairman – East, Council for Leather Exports, Ministry of Commerce & Industry, Govt. of India

“When we heard of EDI for the first time, we were apprehensive. Not even one positive thought crossed our mind. But very soon we realized the folly of our thought. I compliment the Institute and the project team for envisioning so big, and achieving it for us. Under the banner of the Ramkrishna Mission, some time back we conducted a training programme for destitute women with the help of the Government machinery and funding support. Survival was a problem for these women and for their children. It was at that time that EDI stepped in and conducted a skill development training programme for 60 women, with a commitment of jobs at the Council. Results of that training programme were more than expected. Instead of taking jobs, those women formed a group, started producing and supplying leather goods to big enterprises. That was one incident which made us bestow huge trust in MSMEFDP-SIDBI-EDI project and we gave it an open arm welcome after that on. No wonder soon after results spoke.

*EDI exposed us to international markets. For the first time we went to Japan, caught the pulse of international buyers and understood their requirements. We all benefited immensely. As an entrepreneur, I could sell 20,000 pairs of value added fashion gloves @ 10 USD at the first instance. And, what is heartening is that talks are on for repeat orders. 24 entrepreneurs, also got a chance to participate in **MIPEL Fair at Milan, Italy**, the biggest leather goods fair in the world, as a part of this project. We showcased our products and could establish a network with potential Japanese and European buyers. Understanding the significance of brand building, we took it up in a systematic and strategic manner. Not that earlier we had not participated in this fair, we had, but somehow things had never worked in our favour. We could never stand out on account of ineffective promotion and projection of ourselves. That is what EDI probed and did all that was required to help us get noticed. Amidst so many initiatives, the publication, ‘The Grandeur of Leather – Celebrating Glory with Dignity and Grace’ won great applause by international buyers as it set aside the unique selling aspects of the Kolkata Leather Cluster and its products. EDI organized a Press Conference to project the products through various newspapers and fashion magazines in Italy. An exposure visit to PRADA, an international brand in leather products, exposed the entrepreneurs to the state-of-the-art laser-operated leather cutting machines, high quality stitching and finishing practices. The quality control and material handling practices also impressed us and we are working out the modalities of replicating it.*

Another very important initiative taken by the Institute was organizing a meeting with the top management of firms manufacturing and supplying metal accessories to top international brands. As a result, today Kolkata boasts of an upmarket accessories manufacturing plant. This is being set up in association with M/s. K. C. Combines Pvt. Ltd.

We are extremely thankful to EDI for taking us through this journey of learning. It is because of these efforts that we were able to generate innumerable spot orders and establish a congenial relationship with international buyers. People are now used to EDI and I only wish we continue to see this great Institute around.”



BEFORE



AFTER

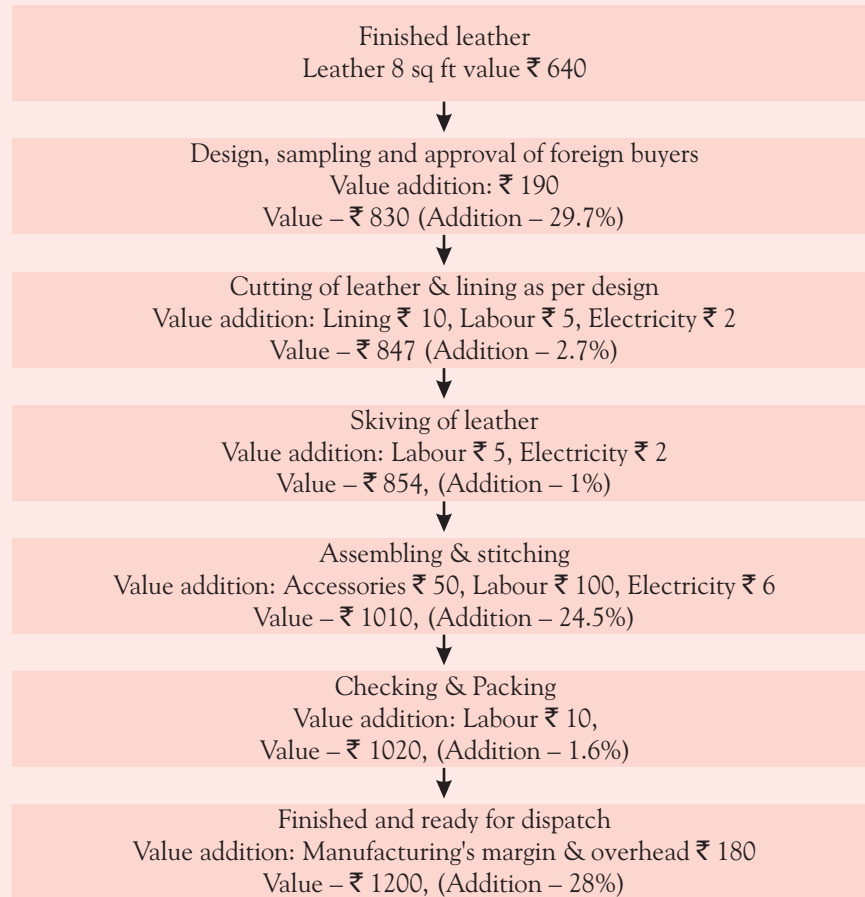
Product Diversification

A foresight was wanting in the cluster. Industrial gloves had given an identity to the cluster but this had also inhibited the vision of entrepreneurs as they did not think beyond gloves that were solely made for workers at industries. Eventhough the prospects of the sub-sector went down drastically, neither were any measures implemented to add value to these gloves nor were any new products introduced. As a BDSF, a German technical expert was invited to Kolkata Leather Cluster to impart training to the shop floor workers and designers on taking a shift from industrial gloves to value added fashion (VAF) gloves. The entrepreneurs while

forming consortium responded well to not just the proposal but also imbibed the training so well that fashion gloves have today become a trademark product of the cluster. The consortium has recorded an initial order for VAF gloves to the tune of ₹ 21.40 crore.

Value Chain Analysis for leather goods

The following diagram delineates value chain analysis of the leather goods sub-sector in the Kolkata Leather Cluster. The value chain analysis indicates the extent of value addition in each stage of operation.



Technical Inputs on Leather Finishing

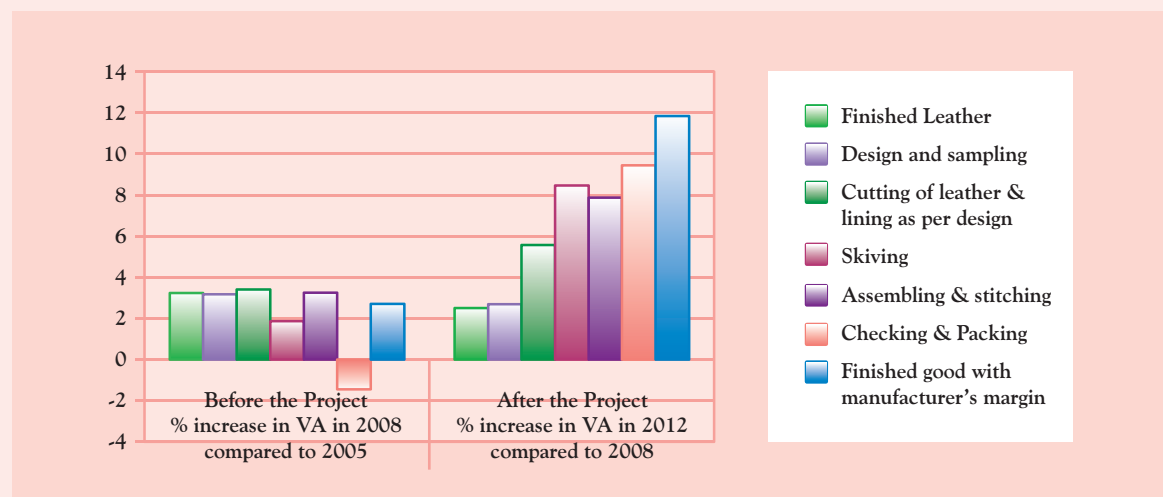
If the industry has to compete with high fashion leather products at the international level, it had to primarily improve the quality of its leather. The local market did not supply leather that was good enough in terms of texture and quality to make bags which could be exported to advanced nations like the USA or other European markets. To address this, a leather finishing expert was invited from Italy to impart training on effective finishing of leather. He visited tanneries along with the Indian Leather Technologist Association (ILTA) officials to give valuable inputs about new leather finishing and the methods of reaching the required quality standards.

Dr. Dipankar Chaudhuri, a Scientist from Central Leather Research Institute (CLRI), is of the opinion that EDI has done commendable work in not just establishing but also widespreading the work of CLRI. He felt that no matter how significant an Institute's or an individual's contribution is, what is of utmost importance is that entrepreneurs should be made aware of the availability of such services for business development, and it is here that EDI acted convincingly because once entrepreneurs come to know the advantages, they start hiring services at any cost. CLRI, he said, offers different training programmes on skill development and technology transfer and EDI, very tactically brought all the actors, including industry associations, together and coordinated all the activities systematically.

Environment Compliance

Pollution from tanneries was a major concern for the cluster so much so that several tanneries were on the brink of closure. The capacity of the existing Common Effluent Treatment Plant (CETP) was not sufficient to cope with the increased number of tanneries. Therefore, the existing CETP was upgraded to meet the need. The proposal to modernize it was sanctioned under the Public Private Partnership (PPP) mode. The total cost of the project was ₹ 107 crore. 300 tanneries now fulfil environment compliance requirements.

The following graph delineates the extent of Value Addition (VA) in the Leather Goods Sub-sector before and after the Project:



And, Sustainability is Ensured

The project put in place measures that ensured sustainability so that even after its withdrawal subsequent to completion of the project, the development activities continued.

Sustainability of the development intervention has been ensured through creation of following public goods:

- Established **BDS Help Desk** at BMO, the Indian Leather Products Association. This acted as a source of information and promote links between BDSPs and MSMEs.
- Established the ILPA Technical School : Training programme of six to twelve months are conducted at this school and trained people get employment in the local MSMEs.
- Facilitated upgradation of Common Effluent Treatment Plant under PPP mode with a fund of ₹ 134.53 crore.
- Set up Common Facility Centre with advanced machinery for common use and benefit of entrepreneurs in carrying out various processes and technologies.
- Institutionalized BDS supply in the area of skill development with establishment of ILPA Technical School and preparation of audio visual training manual.
- Developed MSME & BDSP Directory and handed it over to Business Membership Organisation
- Established Tanning, Testing and Training Centre (TTTC)

This Testing Laboratory was established with assistance from the Italian Trade Commission, ASSOMAC and Govt. of West Bengal. Total value of the project is ₹ 3.03 crore. This will help MSMEs in complying with the latest international quality standards.

Impact:

- No. of persons trained : 1799
- Employment created: 1295 (71%)
- Enhanced turnover: ₹608.34 crore
- Enhanced export: ₹216.43 crore
- Improvement in productivity: 26%
- Improvement in quality: 22%
- Average energy saving ranged from 20000 to 45000 KWh per annum, per tannery
- Product line extension: Value added fashion gloves leading to better price realization (₹87.74 to ₹584.95)
- Credit rating of MSMEs

- Implementation of Enterprise Resource Planning (ERP) leading to improvement in productivity and better control on factors of production
- No. of firms adopting better environment compliance measures : 300
- No. of BDSPs trained: 153
- New strategic BDSPs developed and linked to the MSMEs: 88
- Transaction with voucher support: 85 MSMEs
- Transaction without voucher support: 500 MSMEs
- Finance mobilized through other government schemes: Rs.1000 million
- Technical institution created for Training: 1 nos.
- Infrastructures/CFC created: 2 nos.
- BMOs strengthened: 3 nos.
- MSMEs benefited due to quality upgradation: 43 nos.
- MSMEs benefited due to productivity improvement: 9 nos.
- MSMEs benefited due to design development: 55 nos.
- MSMEs benefited due to product line extension: 6 nos.
- Adoption of environment compliance measures by MSMEs: 300 nos.
- Market and export linkages established for the MSMEs: 91 nos.
- MSMEs adopted energy saving practices: 5 nos.
- Financial linkages established for MSMEs: 15 nos.
- Better brand visibility in Italy resulting in export orders of value added leather products.
- Export to Japan for the first time, from Kolkata, as a result of export development and brand building exercises.
- CETP Modernization-Environment compliance, Green production

The project closed on 31st October, 2011 after putting in place a holistic exit cum sustainability strategy. However, just as an end to all good things is not accepted easily, EDI's exit, too, wasn't welcomed.

According to Ms. Agasty, "extension of the project at least for the next three years, would be useful as there is a lot of potential in the international markets for leather products, and systematic tie-ups would ultimately benefit SMEs in harnessing this potential. Acquiring finance from banks and other commercial funding organizations is sometimes difficult keeping in view their norms and specific requirements so that EDI could delve into these areas a little more, thus enabling enterprises to acquire a better understanding of completing formalities and getting funds. BDSPs could be inducted for the process. Also, few more months of hand holding support to micro enterprises, would put them at a lot more ease." However, BDSPs have been instituted in possibly all areas. This will contribute to success of the sector as these BDSPs will certainly take the baton forward."

The Who Does Who Pays (WDWP) Matrix is one of the important instruments used world-wide to indicate the impact of the BDS project intervention. The WDWP Matrix of the Kolkata leather cluster before and after project intervention is presented below. The matrix clearly indicates that there has been increase in number of service providers, both private and public, as a result of implementation of the BDS project. It also indicates introduction of new specialized services and service providers and beneficiaries' increasing willingness to share cost of BDS usage.

Who-Does who pays matrix post intervention					
BDS Type	Firm Type	Project Start		At the Project Ends	
		Who Does	Who Pays	Who Does	Who Pays
Skill Development	Medium	1 PV (O)	25% (F) 75% (SO)	2 PV (O)	50% (F) 50% (SP)
	Small Micro	1 PV (O), 1 PUB	25% (F) 75% (SO)	2 PV (O), 5 PV (UO) 2 PUB	50% (F) 50% (SP)
Training / ToT design/ fashion/ trend forecast	All	1 PV (O)	25% (F) 75% (SO)	5 PV (O), 2 PV (UO)	40% (F) 60% (SP)
Design Development	Small, Medium	1 PV (O)	100% (F)	1 PV (O), 2 PV (UO)	100% (F)
International Marketing	Medium, Small	2 PUB	70% (F) 30% (SO)	2 PUB 6 PV (UO)	75% (F) 20% (SO) 5% (SP)
E-marketing	Small and Micro	Nil		2 PV (O)	90% (F) 10% (SP)
Productivity Improvement	Medium & Small	1 PUB	100% (SO)	1 PUB, 2 PV (O)	30% (F) 70% (SP)
Testing	Medium & Small	1 PUB	20% (F) 80% (SO)	2 PUB	30% (F) 70% (SO)
		1 PV (O)	100% (F)	1 PV (O)	100%
Credit Rating	Micro & Small	Nil	Nil	1 PUB	15% (F) 15% (SP) 70% (SO)
Energy Audit	Medium & Small	Nil		1 PUB	25% (F) 75% (SP)
Environmental Compliance (DPR)	Medium & Small	Nil		1 PV (O)	60% (F) 40% (SP)
DPR/Technical Consultancy / Market Survey / Study Material	Small	Nil		2 PV (O), 4 PV (UO)	50% (F) 50% (SP)
Capacity building, Training on Management / working practices, EDP	Micro	2 PUB	100% (SO)	2 PUB 2 PV (O)	100% (SO) 20% (F) 80% (SP)

F – Firm, SP – Support from Project, SO – Support from other Source, PUB – Public BDSP, PV (O) – Private organized BDSP, PV (UO) – Private un-organized BDSP



The Implementing BDS in the Leather Cluster at Kolkata Project, otherwise called BDS Market Development Project, has been successfully completed. While analysing the nature of intervention one could understand that the activities in the first year of this Project was focused on awareness creation and managing demand and supply side of the service market, emphasis in the second year was laid on creating service benchmark and replication of 'best practices', and activities in the last year was focused on capacity building of local BMOs and other stakeholders and institutionalising service delivery.

The statistical data concerning Output, Outcome and Impact provide some interesting figures but the qualitative shift in the perception of MSMEs towards BDSPs and vice-versa, has been inspiring for us. The growth of the BDS market resulted in improving performance and competencies of the MSMEs, overall development of the service market, creation of public goods etc. Equally important was the impact of the Project in the life of micro entrepreneurs representing the unorganised sector and people at the bottom of the organisational echelon.

The BDS Market Development, first time implemented in India with the support of SIDBI and other international partners has proved that it could be promoted as one of the most important MSME development strategies. The challenge lies in how we can customise it and reach out to a larger target group of MSMEs in different product sectors.

Dr. Sanjay Pal, Project Director
Kolkata BDS Project



INDIAN LEATHER TECHNOLOGISTS' ASSOCIATION

(Affiliated to the International Union of Leather Technologists and Chemists Societies)

Ref. No: ILTA/EDII/128/2011-2012/ 431

January 17, 2012

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Kolkata Project Office
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Kolkata 700 107

Dear Sirs,

'Implementing Business Development Services in the Kolkata Leather Cluster' has been successful in rendering support to Indian Leather Technologists' Association (ILTA) and the entire fraternity of tanneries and technologists throughout the project period.

In this regard, we take immense pleasure in admitting that in association with ILTA, the major activities that were undertaken were the workshop for better finishing of leather by an international leather consultant, library upgradation, organizing an International Conference on Leather etc.

As the proponent of the Leather Association ILTA, I appreciate the successful endeavours of the project.

Thanking you,

Yours sincerely,


Arnab Bhattacharya
President

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President

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Gujarat

5th April 2011

Dear Sir,

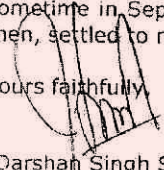
FORAYS INTO THE JAPANESE MARKET

As you would, no doubt, be aware, member exporters of our Association have, in the recent past, had very successful interactions with several business groups on their visit to Japan in January this year and also when a large delegation from that country had come to Kolkata on the occasion of the International Leather Goods Fair in February 2011.

Exporters have, since then, been receiving very positive vibes and are in the process of sampling for various companies.

The Association feels it would be beneficial for local business to keep the contacts alive and we would request you to ascertain the possibilities of arranging another Buyer-Seller Meet sometime in September this year, in the expectation that Japanese business would have, by then, settled to more conducive conditions.

Yours faithfully,


(Darshan Singh Sabharwal)

cc. Mr. T.K. Kumar
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