

Implementing Business Development Services in Santiniketan 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



Director's Message

There have been certain radical changes on the Indian industrial turf demanding noticeable response from all quarters to benefit the Small Scale Sector industry. 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 services 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.

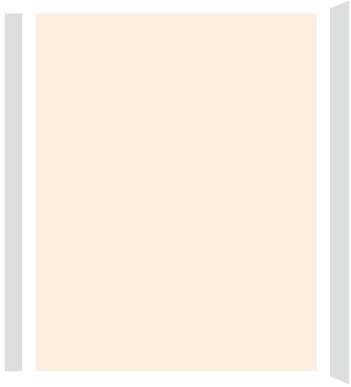
By executing this project successfully, EDI has attempted to impart a winning edge to SMEs by making available expert business development services and by parading a focused approach to strengthen the market of business development services.

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, and the initiatives which in turn would be implemented by them 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.

- Dinesh Awasthi

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:

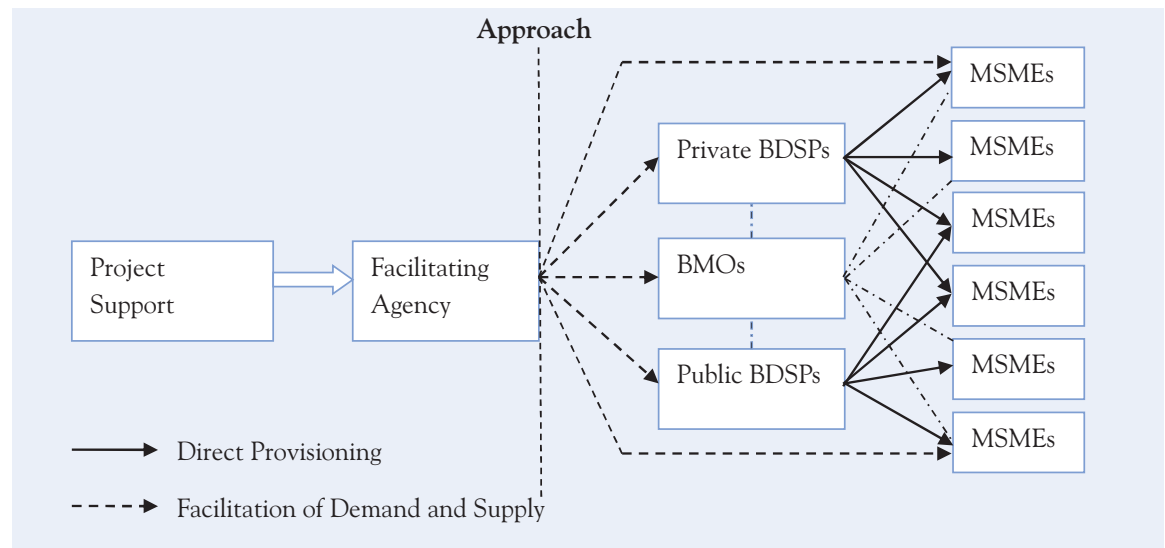
- Induction of new BDSPs and up-scaling of the existing business development services
- Increased BDS usage by MSMEs
- Better packaging of business development services with emphasis on advantages to MSMEs
- Improved access of finance for MSMEs
- Product development
- Quality and service benchmarking
- 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.



Santiniketan... Leather Cluster Sees the Light of the Day

Noble laureate, Shri Rabindranath Tagore is revered by one and all for his literary feats but what very few know is that his contribution to the economy of Santiniketan and to the growth of one of the most vibrant sectors of India is just as great. He deserves to be applauded as a social thinker too. He founded the Visva-Bharati University in Santiniketan which became home to craft movement in India. His son, Rathindranath Tagore and his wife Protima Devi continued the legacy and promoted leather craft here. The result was masterpiece leather goods that attracted many national and foreign tourists. Local crafts-persons started exploring modern designs and assigned an important place to research and experimentation also.

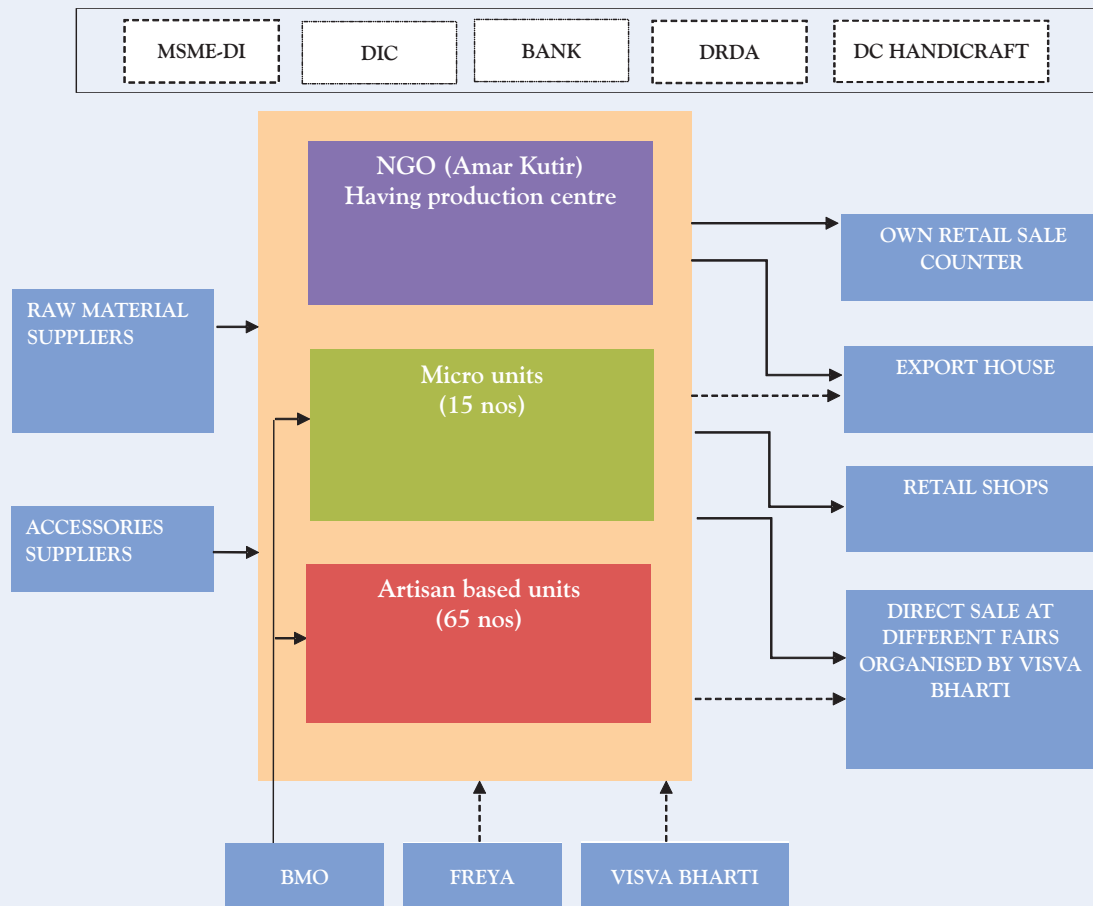
Having witnessed the potential of leather craft, in 1923, Shri Sushen Mukopadhyay, a freedom fighter, founded the Amar Kutir Society to provide refuge and employment to political prisoners released during the pre- independence era. However, it was only in the post-independence era that the Amar Kutir Society became well-known for making quality leather products. So Shri Mukopadhyay worked on the platform set up by Shri Tagore.

BDS Project Portal of the Leather Cluster, Santiniketan



Cluster Map

Cluster Map of the Leather Cluster, Santiniketan 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.



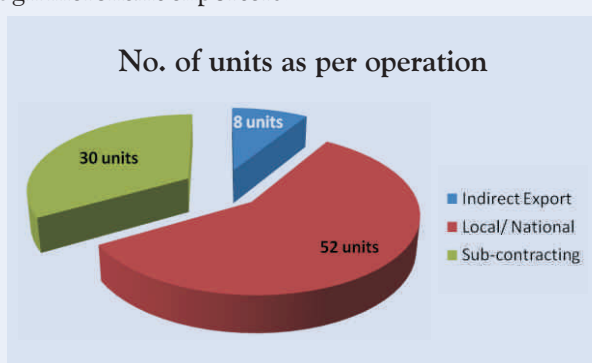


Amar Kutir Society for Rural Development, registered in 1978, is engaged in promoting traditional crafts such as; leather products, lacquerware, cane, bamboo/wood, terra kota, dokra, sola pith and batik products, besides kantha work. The Society, consisting of local artisans, is also involved in forming self help groups for crafts production in leather. It worked as an important stakeholder in this project and many leather goods producers are members of this society.

The Santiniketan cluster is an artisan cluster and the products have a unique hand-crafted value. 80% of value addition, like; embossing, hand painting, batik work etc. are done manually. Machines are only used for stitching operations. Investment in plant and machinery is minimal with most units operating with basic infrastructure only.

Till project implementation, the cluster primarily depended on tourist purchases but by completion of the project, the producers had started marketing artistic leather bags in the domestic as well as in the overseas market through merchant exporters.

Area/ Region	No. of principal units	No. of job workers
Surul	4	20
Ballabpur	3	12
Suripara	3	12
Danapur	2	6
Ruppur	2	7
Others	1	8
Total	15	65



The Vast Stretch....

The Santiniketan leather goods cluster is located in the Birbhum district of West Bengal. The cluster is ideally situated at a distance of 150 kms from Kolkata and is well-connected by road and railway. The units are scattered across several villages like Surul, Ballabpur, Suripara, Hetampur, etc. This vast stretch makes it an amazing bed for innovations and creativity to germinate.

Cluster Update Prior to Intervention

Micro and household units are the main constituents of the cluster here. As the cluster was not adequately equipped in terms of technical and export know – how, infrastructure and production facilities, they did not directly cater to the export market. Merchant exporters based in Kolkata bridged the gap between them and the foreign market. The products from this cluster were exported worldwide but almost all exporters were located outside the cluster.

There were about 15 organised units operating in the cluster and 65 artisanal units. A few cluster units worked as sub-contractors for exporters, mainly based in Kolkata. Many retail shops located in a trading centre called ‘Bhuban Danga’ largely contributed to the local sales.

However, the cluster did carve a niche in 1978 and then strengthened its position in the 80s when under the initiative of the District Industries Centre, the Handicrafts Development Programme was launched. As a part of this, several skill development training programmes and handicraft

exhibitions were organized which not just improved the capabilities of artisans but also imparted the much-needed visibility to them. Santiniketan products, especially Santiniketan bags have come to be preferred since then, with Santiniketan becoming a brand in itself. From here, there was no looking back. 2005 further rang the bells of success as in this year a highly result-oriented cluster development programme was launched with the support of DC (MSME), Ministry of MSME, GoI. However, gaps remained in pressure point areas and the cluster lagged behind its potential.

Today the cluster manufactures leather bags of various kinds such as; shopping bags, clutch bags, file covers etc.; items of daily use, like; wallets, coin pockets, purses, mobile covers, spectacle cases, etc. and other general items, like; ornament boxes, pencil boxes, photo frames, piggy-banks, etc.

The BDS Market Status in Santiniketan

The Santiniketan leather goods cluster was not so well versed with the significance of business development services. Few availed the services of Generic BDS Providers, like; chartered accountants, cost accountants, tax consultants etc. but there was hardly any awareness about Strategic or other BDS. The Visva-Bharti University, however, did organize some training programmes and fairs for artisans but these were to a very limited extent and not everybody could derive benefit of these. Moreover, the continuity of the activities was missing.

EDI's Diagnostic Study revealed that the growth prospect of the cluster units could definitely be improved with the involvement of BDS. Areas of design, marketing, financial management, loan syndication, technology upgradation, skill upgradation and export-development charge were all wanting and called for support of Business Development Service Providers. Initially the entrepreneurs looked upon EDI as an unrelated institution and were hesitant to join the BDS market development project. Gradually, however, through a series of workshops, talks and with the involvement of local influential authorities, EDI could perch itself among them.



Cluster units participating in a trade fair

With 26 workers and an annual turnover of around 50 lac, Mr. Debabrat Sengupta of Artwing Enterprise, Santiniketan is in the business of manufacturing leather products since 1991. Sharing the ground realities, in pre-BDS intervention scenario, Mr. Sengupta felt that although the BDSPs would prove helpful, the major snags surface because;

- the enterprises engaged in producing leather goods in Santiniketan are so small in terms of their operations that they normally cannot afford such services.
- since the entrepreneurs cater to only the local market, they believe nobody can understand the trend better than they themselves and hence take necessary steps based on their instinct only.
- they rely heavily on government schemes especially when it comes to marketing the products.
- finance is a major hitch which is why even if sometimes the entrepreneurs are convinced about the advice of a BDSP, they find it difficult to implement the suggestion.

Revelations of EDI's Diagnostic Study

The diagnostic study conducted by the Institute brought out gaps in both the demand as well as the supply side of business development services. The Project, therefore, adopted a two-pronged strategy to address the scenario. The demand side interventions comprised sensitization, training and capacity building of the MSMEs, besides BDS-MSME linkages, financial linkages, networking with support institutions, capacity building of the local BMOs, improving MSMEs access to market oriented BDS, cluster visit for inter-cluster learning and demonstration effect.

The supply side interventions comprised sensitization, capacity building of the existing BDSPs, up-scaling and customization of services, introduction of new BDSPs and BDS products, streamlining delivery mechanism, product promotion, institutionalizing BDS provisioning through tie ups with facilitating institutions and BMOs.



According to Mr. Saurav Roy, Project Officer, Santiniketan, EDI, “Before implementing this BDS project, a diagnostic study was conducted and five glaring issues came to the fore which we thought of addressing on war footing in order to capture the gaps on the demand and the supply side.” The issues as listed by Mr. Roy were:

- Skilled manpower is a major hurdle which is why despite orders, execution was becoming a problem. Clubbed with this lacuna was the lack lustre performance of artisans in bringing about innovations in design. This had assigned a drab stance to the cluster products. In the absence of direction, latest machines and technology, workers had lost the motivation to explore new designs and new markets.
- Formal training for artisans was severely lacking. The skills were bequeathed down in a rather informal manner from one generation to another. The mindset to acquire learning outside the domain of the family skills and legacy were urgently needed to introduce a contemporary approach to business.
- Marketing & brand building initiatives had never been focused upon in the cluster. The counts on which Santiniketan products stand out are; use of natural colours, unique embossed design and no use of machines. However, in the phase of ruthless competition, it had failed to create an identity for itself amidst a horde of products which was its replica, but machine made and created using artificial dyes. As Santiniketan cluster had not been able to establish its characteristics and distinctiveness, the buyers were unable to set them apart from similar looking products.

Given the scenario, as Mr. Roy puts it, “The focus of the project could not possibly be to increase production as majority of leather goods production units were micro enterprises, operating with limited finance and almost no availability of modern machines and technologies.” He said that the most important emphasis of the project was, therefore, “on adding value to the existing products so that small entrepreneurs could produce quality products, get adequate domestic and export market and survive and sustain their business.”

Thus, through its various interventions, the Project aimed at bringing them to face what quality and trend-monitoring could do to a business in terms of its prospects. And, once such an environment was floated in the cluster, it was believed that entrepreneurs would automatically upscale their production level and grow.

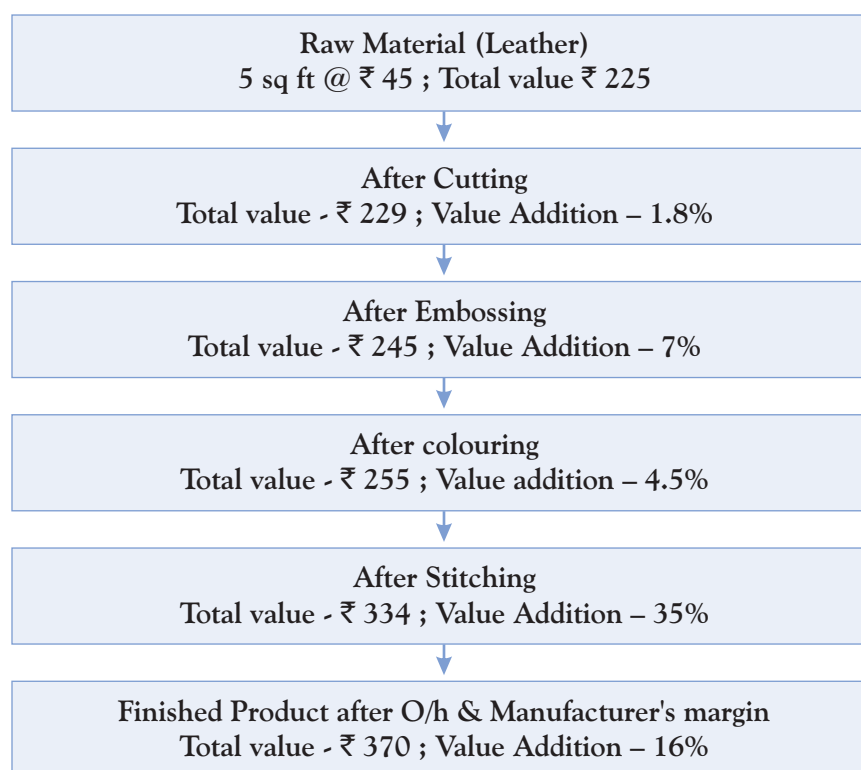
In keeping with this thought, the MSMEFDP-SIDBI-EDI Project focussed on:

- developing skills & competencies of artisans
- creating an awareness about Santiniketan Heritage Craft among potential buyers
- extending Business Development Service support in various fields by putting in place a fully equipped cadre of Business Development Service Providers in various functional and management areas.

Value Chain Diagram

The following diagram delineates value chain analysis of the Leather Cluster at Santiniketan. The value chain analysis indicates the extent of value addition in each stage of operation.

For manufacturing a ladies bag using 5 sq ft of leather



Major Areas of Intervention:



New Designer Products introduced in the cluster

Design: Design is the first aspect that either lures or turns a buyer away. It is the first to catch attention, and thus without innovations in design no amount of quality improvement can succeed in enhancing the appeal of a product in the eyes of the buyers. The interventions in the area, therefore, were targeted at improving both the surface and pattern designs with the objective of launching a range of new designs as well as products that have a better utilitarian value with unique selling points to ensure better price realization and thus an increase in profitability.



For this, the Project developed the strategy of first identifying Business Development Service Providers, orienting them appropriately with the design needs of the cluster in keeping with national and international trends and then linking them up with artisans for imparting training, guidance and counseling. NID and NIFT designers were roped in for the purpose and after investigating the cluster requirements, they conducted workshops on pioneering ways of pattern making, cutting, skiving, assembling, stitching, coloring, and finally finishing the product that acquired an unmatched appeal. The artisans learnt to work in line with customer expectations and 'sought after' trends and designs. In a landmark outcome, 109 new designs were developed, with 60 micro enterprises directly benefiting from the intervention. Most of these enterprises have also started

commercializing these designer products. The cluster appears to bear a designer look with a new range of fusion products developed using leather with jute, canvas, and bamboo fibre.

“EDI, in association with the National Institute of Design, Ahmedabad, under the MSMEFDP-SIDBI project, organised a design workshop for the artisans of the cluster and they came out with an innovative product using bamboo fibre in existing leather products. EDI also took six local entrepreneurs to visit India International Leather Fair (IILF), Chennai to expose them to developments in the field. These initiatives helped us increase our annual and also export turnover.”

- **Surjeet Biswas**, into production of ladies bags, table tops and other leather goods.

The artisans also discovered the value that a product acquires on account of the use of a high end accessory. This revelation has brought in a lot of enthusiasm in the cluster as an exceptional phase of unique experimentation has begun. The adorned products not just managed to improve customer perception but also fetched higher gains for artisans. For instance, a key chain which was usually priced at ₹ 15 – 20 started selling at ₹ 60/-.

What is immensely motivating for the artisans and the BDSPs involved, is the fact that orders to the tune of ₹ 46.12 lac have been received for the new designs developed, in addition to direct export orders worth ₹ 22 lac. Artisans look forward to participating in trade fairs and exhibitions as they know their designs would win an open arm welcome from buyers from across the globe. Sustaining this effort is the responsibility accepted by master craftsmen, who have been imparted intensive training for developing new designs for all the cluster firms.



“I learnt about new designs, new patterns, new products, etc. I am glad that I could enhance my knowledge and earn the status of a Business Development Service Provider (BDSP), in the area of providing design guidance to the local micro enterprises. I feel happy to believe that I am the reason behind most successes. The concept of providing or availing the facility of BDSPs was not very popular among the enterprises of the cluster for two main reasons - the cost of the services of BDSPs and the incapability of entrepreneurs with regard to implementing the suggestions. Therefore, whoever was an experienced artisan in the cluster played the role of a BDSP, formally or informally, after attending Training of Trainers (ToT) programme conducted under the project. But the positive sign is that because of EDI’s interventions, first, the artisans are convinced of the need of BDSPs for the growth of their businesses and second, the market for BDSPs also increased.”

- **Mr. Manik Ghosh**, state award winner for innovative leather products, from Bolpur, Dist. Birbhum, West Bengal. He was trained as a Master Trainer by EDI in June, 2010 and is today playing the role of a versatile BDSP offering services to local micro & small entrepreneurs in a variety of areas, like; design development, marketing, analyzing customers’ expectations, product improvement, etc.

Human Resource Development: Shortage of skilled labour has been a pressing point in the cluster. More often than not, the workers did not possess specialized skills and were learning training on-the-job; a strategy that merely allowed them to manage day to day work but yield no palpable result to enable them to make any tangible contribution. The Project identified the skill

gaps in consultation with artisans and accordingly planned programmes under the categories of Basic Skill Development Programmes for new entrants and Advanced Skill Development Programmes for existing personnel. Business Development Service Providers were identified, given an insight into the cluster skill needs and inducted to conduct skill development programmes. Five skill development programmes were conducted and the artisans sharpened their perceptions on identification of leather, handling it using latest methods of cutting, skiving, colouring, assembling, stitching and finishing techniques. The training programmes were closely monitored so as to ascertain their significance and relevance.



Skill Development Programmes at Santiniketan

Artisans trained	: 276
Increase in wages	: 1½ – 2 times

While the master craftsmen who have been trained will ensure continuous skill strengthening in the cluster through regular workshops, the Business Membership Organizations have also been suitably strengthened to hire BDSPs for conducting such programmes as and when required. The Institute has also prepared audio-visual material to ensure a better impact of the training programmes.

According to Mr. B. N. Mukherjee and Mr. Bikas Roy, Administrators of Amar Kutir Society, “MSME-FDP-EDI project greatly helped us, especially in the areas of skill development, design development and marketing. 12 artisans were sent from the Society to Indian Institute of Social Work and Business Management (IISWBM), Kolkata to learn ‘intelligent marketing’ and as to how to identify customers’ needs and how to market products.” Mr. Moitro, Production Manager at the Amar Kutir Society said that in the absence of training facilities or services of leather experts, it was difficult to develop master craftsmen. Also, according to him earlier, no new entrepreneur was venturing into the field of leather goods production as the profit margin was low and the prospects were uncertain.

He did not mince words in saying, “EDI has given us a lot. An exposure visit to Tata’s Leather Product Factory in Devas changed our approach to doing business. Also, design and technical upgradation inputs were very useful. It was through this visit that EDI introduced us to the idea of setting up a fully modernized unit under the Government of India scheme – ‘Assistance to State for Infrastructural Development for Export Mart’ in Santiniketan.”

The artisans of the cluster have begun taking their work with a renewed vigour and enthusiasm. They know the thrill of adding value to their products, and to back their exuberant state of mind, are their newly acquired skill set and BDS supply.

Access to Finance and Credit: Most of the enterprises in the cluster here were in the micro and small scale segment, and despite their changed approach to business, they were unable to implement certain systems and procedures as they lacked finance. What hindered their prospects was their near complete lack of access to banks. This was one of the primary areas identified for interventions. In a bid to address the situation, the Project primarily assessed the credit requirements of 28 units. This assessment gave a peek into the prevailing environment in the cluster and based on it, a strategy was devised to alter the state of affairs.

The Institute began its series of interactions with financial institutions to gain an understanding of the existing financial schemes and as to how could they be leveraged to benefit the cluster artisans. Simultaneously, awareness workshops were organized for artisans so that they could comprehend the existing financial schemes and advantages. These workshops struck an immediate chord with artisans as the inputs were imparted by officials from State Bank of India, Allahabad Bank, Khadi and Village Industries Board, District Industries Center and West Bengal Finance Corporation.



While officials from financial institutions and banks reiterated the procedures of availing finance as also the various beneficial government schemes like the Prime Minister Employment Generation Programme (PMEGP), the officials of DICs deepened entrepreneurs' knowledge on preparing bankable projects and the subsidies that they could avail. Thus, as a measure of sustainability, the Project facilitated Associations to develop skills to assist cluster artisans in all aspects of applying for financial assistance, readying bankable project reports, evaluating the mode of repayment and ensuring scrupulous financial discipline among cluster entrepreneurs. The efforts paid off.....156 units have availed credit from banks and the total credit disbursement were to the tune of ₹2.5 crore in a span of 2 years. The trend is sure to show an upward growth as two leading banks, viz; Allahabad Bank and State Bank of India, have been suitably oriented to streamline the credit needs and the loan application culture in the cluster. Allahabad Bank has been designated as

the Cluster Bank and it has already adopted a proactive role in guiding the entrepreneurs.

Brand Building: Santiniketan products were gradually losing their identity; and products' unique selling points were gradually fading away. It was a challenge for the Project to muster the right kind of resources that placed the cluster on a noticeable pedestal. This required identification of product niche, exploring new markets extensively and establishing linkages with potential buyers. Exhibitions being a potent platform to showcase one's strengths, the Institute primarily collated information on relevant national and international trade fairs. In keeping with the audience profile and the relevance of cluster products to them, EDI then facilitated preparation of brochures. A logo and a newly created website gradually started making people sit up and take notice of these products. For the first time, as a contrivance of visual marketing, an audio-visual documentary – The Heritage Craft of Santiniketan – was readied to ensure concrete results for cluster entrepreneurs by pinpointing the most advantageous aspects of the cluster.

According to Dr. Tamal Sarkar, Director, Foundation for MSME Clusters, the monitoring agency of the project, “A leather fair, exclusively on Santi products, was organized, to promote sales. It was so successful that even banks are now ready to sponsor entrepreneurs. The project also helped create the brand name, ‘Santi Craft’. Also, a logo was developed for its recognition. A web site has been created with an objective to reach out to a large customer base, nationally and internationally,”

These initiatives, therefore, served as a kind of a huge window for the cluster products to peep out from their closed casing. Added to this was the ‘GI’ registration under the Intellectual Property Rights. These major drives gave the products a distinct visibility in international fairs and exhibitions. One of the most significant features of these fairs were the buyer-seller interfaces wherein a face to face meeting between the two led them to understand each others’ requirements. Sustainability was ensured by putting in place a cadre of 12 trained marketing BDSPs so that entrepreneurs could be assisted holistically in their brand building initiatives. These professionals have been trained under Trainers’ Training Programme conducted in collaboration with IISWBM, Kolkata. And, to ensure that these BDSPs work from a storehouse of up-to- date knowledge on modern systems and procedures, they were taken on an exposure visit to explore new market opportunities and establish new market linkages in Bhubaneswar, Cuttack, Bangalore and Chennai.



Entrepreneur managing visual merchandizing of his showroom at Santiniketan

“Santiniketan cluster has been in existence for ages but for the first time we participated in so many fairs over such a short duration and in such a planned manner. Trade fairs, like: India International Trade Fair (IITF), Delhi, ILGF, Kolkata, Bangalore fair, India International Leather Fair, Chennai, apart from local fairs, such as; Poush Utsab and Basanta Utsab organized by Visva Bharati gave us an amazing experience and exposure. We are now doing business the way successful people do. Most areas that seemed so very difficult have been made easy for us. For instance, procuring raw material was a Himalayan task and we didn’t know what to do but I am happy to state that the Project has established a Raw Material Bank for us. This functions in a very professional manner and has put us at so much ease.”

Raw Material: Raw material supply formed a spiky contrast with the motivation of the entrepreneurs. While their motivation was now sky rocketing, it didn’t yield optimum result because the raw material was in excessive short supply. The entrepreneurs sourced leather from Kolkata at an unduly high price, which in turn was sourced from Chennai. The experts realized that for other efforts to succeed, this gap had to be addressed principally. A visit of the entrepreneurs to Chennai which is a centre renowned for East India (EI) tanned leather was organised. The purpose was to facilitate one to one interaction between the suppliers of EI



Shri K.G. Alai, CGM, SIDBI interacting with entrepreneurs spearheading introduction of value added design gloves at Kolkata

tanned leather and the entrepreneurs from Santiniketan so that terms could be worked out between the two parties to procure leather directly from suppliers without any middlemen. Results ensued, and very soon a consortium comprising 6 members was formed for raw material procurement directly from Chennai. A corpus fund of ₹ 13 lakh was earmarked for procurement. The transaction has begun much to the satisfaction of both the parties as the entrepreneurs are saving upto ₹ 6/ sq. ft of leather on account of this direct procurement.

Also, simultaneously the Project involved a BDSF to conduct a Feasibility Study to set up a Raw Material Bank. A Detailed Project Report was prepared, deliberations with cluster stakeholders began, and the cluster soon saw the establishment of a Raw Material Bank. Amar Kutir volunteered to give space and also invest, to a large extent towards setting up of this Bank. The artisans are relieved with this arrangement as this

positively impacted the final products in terms of their quality and price.

“The beneficiaries covered under the project were taken to Chennai and Agra Leather Clusters for understanding mechanized production process. Besides serving its main purpose, the visits also gave us an idea of product diversification. This has helped us in improving our existing products and introducing new products in the market which brought us many significant purchase orders. Here, the Project also helped us in getting finance to meet the orders either from the bank or under the Prime Minister’s Employment Guarantee Scheme. Leather producers also started using Tera-Kota Leather, instead of East India tanned leather to manufacture quality products. Now we are getting orders from leading leather goods marketers and exporters, like; Manjusha, Bongeshree and other Govt. retail outlets.

Earlier each individual artisan was working on his or her own. But now we have formed a consortium as we know the advantages of working in a group. We now purchase raw material in bulk, invest in machinery, produce quality items and negotiate with potential buyers to reap the benefits of working together in a cluster.”

- Mr. Manik Ghosh,

State Award Winner for Innovative Leather Products, Bolpur, Dist. Birhum, West Bengal

Common Facility Centre:

The cluster houses micro and small enterprises where entrepreneurs have limited capabilities. The interventions under the project have imparted them economies of scale and scope. They have gained in terms of efficiency by making full use of resources at their disposal. One such facility created for them with the purpose of placing them at best operating levels is the forming of a Special Purpose Vehicle for implementation and functioning of the Common Facility Centre, named; the Santiniketan Leather Goods Cluster Industrial Cooperative Society Limited. With highly specialized techniques, the CFC is likely to prove to be a boon to the cluster.

The Who Does Who Pays (WDWP) Matrix is one of the important instruments used worldwide to indicate the impact of the BDS project intervention. The WDWP Matrix of the Santiniketan 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.

BDS Type	Before the Project		After the Project	
	WD	WP	WD	WP
Design	4 PV (UO), 1PV (O)	80% (SO), 20% (F)	4 PV (O), 10 PV (UO)	70% (SP), 30% (F)
Skill Training	2 PV (UO), 1 PUB	80% (SO), 20% (F)	1 PV (O), 2 PV (UO), 1 PUB	70 (SP), 30% (F)
Raw Material	2 PV (UO)	100% (F)	1 PV (UO), 2 PV (UO)	100% (F)
Marketing and Brand Building	2 PUB	80% (PUB), 20% (F)	2 PV (O), 12 PV (UO), 2 PUB	70% (SP), 30% (F)
Credit Facilitation	2 PUB	100% (F)	2 PUB, 1 PV (O)	100% (F)
BMO Capacity Building	Nil	Nil	1 PV (O)	100% (SP)
Technology	Nil	Nil	2 PV (O)	70% (SP), 30% (F)
Portal Launching and Upgradation	Nil	Nil	1 PV (O)	100% (SP)
Credit Rating	Nil	Nil	1 PV (O)	50% (SP), 50% (F)

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



Cluster participating in a Leather Goods Fair at Kolkata

From a BMO's Diary

Santiniketan Artistic Leather Goods Manufacturers' Welfare Association (SALGMWA) - Existing BMO-cum-BDSP

Registered under the Societies Registration Act – 1961 of West Bengal, SALGMWA is now involved in Cluster Development Programme for Leather Goods Cluster of Santiniketan. It organizes programmes on skill development training, design development, quality up gradation, credit linkage, entrepreneurship development, etc.

Appreciating EDI's approach, Mr. Buddhadeb Sengupta, President, SALGMWA said that this has helped earn the confidence of local entrepreneurs. "The Institute started with soft interventions such as organizing skill development training,

extending help in product development, facilitating them in marketing their products and then introduced the concept of BDSPs." He added that the Association officials also benefited from such training.

While serving the role of a BDSP, SALGMWA assesses the financial requirement of needy entrepreneurs, prepares project report and submits it to either the State Bank of India or the Allahabad Bank for funding support. This Association has been declared as the 'Cluster Banker' by the bank authorities. They also help local entrepreneurs in promoting their sale by collecting orders from potential buyers, sending them to participate in fairs, etc.

Under the Project, the Association started acting like a well functioning Business Membership Organisation and conducted training programmes for leather producers, besides hosting design workshops. Mr. Buddhadeb Sengupta gives credit to EDI for these fresh initiatives and as a testimony to the impact of the Project efforts, he cited how in the very first year, they won orders worth ₹ 15 lacs from Monte Carlo.

The Association has now been sanctioned a common facility centre by the DC (MSME) Ministry of Micro, Small & Medium Enterprises, Govt. of India and Mr. Sengupta thanks EDI for playing a key role in this development. He reminisces, "The environment, with EDI around, was very charged and positive. Presence of this Institute gave confidence to all of us. They should have been here for a longer time and then things would have been even more upbeat."

New BDSPs introduced in the Leather Cluster at Santiniketan:

Area	BDSPs
Design	14
Skill	4
Raw Material	3
Technology	2
Marketing	16
Capacity Building	1
Finance	3
Credit Rating	1
Machine Suppliers	3
Tax Consultant & CA	1
Total	48

An Impact that Rang the Triumph Bell

New designs developed	109
Employment opportunities generated	248
Loan mobilized to the artisans units	₹ 2.5 Crore
No. of new units benefited	156
Increase in turnover	12%
Improvement in productivity & quality	20%
No. of marketing BDSPs groomed	22
No. of new BDSPs inducted	35
Establishment of raw material bank	1
Establishment of CFC	1

While people like Mr. Debabrat Sengupta, Mr. Manik Ghosh and many others believe that the project must continue, as the competencies that the efforts have assigned to the cluster over 32 months need to concretised yet more strongly, EDI believes that it has set the ball rolling and the cornerstones of success that it has created will continue to strengthen under the guidance of BDSPs and BMO. The cluster had to be worked upon from certain angles alone, as it has its unique peculiarities and an effort to introduce a radical change could have disturbed that factor. On many counts, success is the stronghold of the cluster now, yet enterprises will have to continue with their contemporary business outlook, under able guidance, to ensure the yield of long term results. And, what could be a better conclusion than to quote Mr. Debabrat Sengupta, “Today, I have orders and finance, but for execution, although I have skilled manpower, I need more. EDI has induced trained personnel and the importance of training in the cluster but for an allround highly conducive environment, the Institute should have been there for atleast five more years. The cluster could then be at a different echelon.” Endorsing these words is Ms. Sangeeta Agasty, “We are greatly satisfied with the results and the progress achieved under the project. The challenges were many. Before EDI took up the project, there was absolutely no demand for business development service providers and needless to add, trained BDSPs were also non-existent but today the landscape of Santiniketan bears an optimistic, aware and a ready-to-go stance.”



The BDS Project interventions and their impact in the leather goods cluster at Santiniketan need to be seen from a different lens. The reason being (i) limited size of the cluster and limited service market, (ii) unorganised nature of micro enterprises & predominance of artisan units, (iii) remoteness of the place. All these affected the efficacy of demand and supply side of the service market. However, with globalisation and increasing competition, the problems of micro units are increasing. As the unit holders are not able to solve their problems themselves, services of BDSPs assume increasing significance. Here managing supply of quality services was a challenge which was handled under the aegis of this Project. Efforts were made to tackle the affordability issue of the micro enterprises, through demand collectivisation. However, the fact which possibly is not stated in any BDS document is that the sustainability of the BDS market requires presence of a minimum market size; attainment of which was a difficult proposition at Santiniketan. However, the positive signals started showing and the market started growing.

Here, both service providers and users have to travel extra miles to ensure that the size constraint is overcome and market grows on its own without external stimuli.

I do not want to miss the opportunity of expressing my sincere thanks to SIDBI, DFID, World Bank, GIZ, KfW, FMC and all the stakeholders of this Project including MSMEs and BDSPs. The Project would not have been successful without their support. The valuable suggestions and timely feedback we received from PMD, SIDBI and FMC have enabled us in setting new milestones of success.

Mr. Sanjay Pal, Project Director
Santiniketan BDS Project

