Abstract: Support services to the household artisanal microenterprises have been provided by different state supported organizations in India, since independence. Neo-liberal paradigm sees little roles of state in direct delivery of Business Development Services (BDS) and assumes that market is the better provider of BDS. BDS literature also supports this assumption and favors commercial providers over other providers. This case study compares the BDS delivery role of state, market and the third sector, in handicrafts sub-sector, in the state of Rajasthan, India. Rajasthan Development Corporation (RDC), RAJPUTANA exports and Bunkar Vikas Samati (BVS) were selected as representative of state, market and the third sector respectively. Besides these three organizations, one more organization, Artisans Alliance (AA), which was started as an NGO and later on was transformed into a for-profit company, was later on incorporated in the study. In this case study, BDS delivery roles of these four organizations are compared, on the criterion of efficiency, equity and sustainability.

Background

India has primarily been an agrarian economy. However, the population being supported by the farm sector has been rapidly shrinking, providing livelihoods opportunities to only 58% of the total productive work force in 2001, as compared to 62% in 1991 and 72% in 1969 (Census Survey 2001, Hossain Et al 2001). This has led to large-scale urban immigration and high rates of rural unemployment. Two sectors of Indian economy, namely rural non-farm sector and urban informal sector, has provided livelihood alternatives to the productive work force in the country. The rural non farm sector provide work to between 40 to 50 million rural workers, or as much as a quarter of the rural population, while income from the sector contributes between 25 to 35 percent of the total income of rural households (Mahajan and Fisher 1997:3). Non-farm employment is particularly important to small and marginal farmers, who cannot derive sufficient income from agriculture sector and thereby it contributes substantially to poverty alleviation also (Mahajan and Fisher 1997:3). Urban informal sector on the other hand, provides livelihood opportunities, in terms
of wage as well as self-employment, to a large number of rural immigrants and urban poor.

**Micro enterprises**

There is no more conceptual clarity about micro enterprises within India, than on the international level. Micro enterprises fall under the purview of number of different ministries, starting with Ministry of Small Scale Industries, Agro and Rural Industries, Ministry of Textiles, Ministry of Rural Development etc. Different ministries have used different terminologies in past to describe microenterprises. They have been called Small Scale Industrial Undertaking, Ancillary Industrial Undertaking, Women Entrepreneurs’ Enterprises, Small Scale (Industry related) Services and Business Enterprises (SSSBE’s), Export Oriented Units, Khadi and Village enterprises, Tiny industries and so on.

Central Statistical Organization (CSO), Government of India, on the other hand classifies the non-agricultural manufacturing and repair enterprises into following broad categories.

- Directory manufacturing establishments (DME) have six or more workers, at least one of whom is hired on a fairly regular basis.
- Non-Directory manufacturing establishments (NDME), having five or less workers, at least one of whom is hired
- Own account enterprises (OAE, with no hired workers)

**Graph 1.1**

![Manufacturing employment by sector(percent) 1984-85](chart)

(Source: Mahajan & Fisher 1997)
There is no universal consensus on an accepted definition of microenterprise. However, definitions of microenterprise often use different terminology to describe some common criteria. Microenterprises are generally run by owner-operator, have fewer employees (number of employees varies in different countries and in different systems of classification), rely heavily on family labor, tend to mix household and business facilities, have low fixed assets (amount varies greatly across countries), and have limited access to the formal financial and other support services. Most of the enterprises in rural non-farm and urban informal sector can be classified as microenterprises. This understanding of microenterprise sector would comprise, both NDME and OAE classification of CSO, as microenterprises. Thus of the total manufacturing enterprises 73% of employment was provided by microenterprise sector in the country in 1984-85 and 65% in 1989-90.

Artisanal Microenterprises

According to Oxford dictionary an “Artisan is a skilled worker who makes things by hand”. In the aftermath of Industrial revolution, machines have largely replaced the skilled hand of an artisan, yet in many developing countries like India, a substantial number of artisanal enterprises still exist. Numerous government and private agencies work with crafts producers. Most use the terms "craftsperson" and "artisan" interchangeably. Some refer to them as "handicrafts," some as "cottage industries," some as "household industries," some as "traditional industries", while others refer to them as “artisanal enterprises”; to describe essentially similar kinds of artisanal enterprises.
Libel and Roy provide an interesting account of the scale of artisanal enterprises and their role as a significant employment provider in India.

“In 1994-95, the NSS reports about 8.4 million handicraft artisans. The Handicrafts Census conducted by the NCAER in the 1994-95 and 1995-96 suggest a total number of 7.6 million people engaged in handicrafts. These figures produce a misleading picture of manpower involved, for many among these millions work part-time or marginally in manufacturing. However, they are indicative of the scale of these industries. Ignoring the problem of labor time, an employment of 8-9 million represents 15-20 percent of manufacturing work force, depending on what work-force participation rates are assumed” (Libel & Roy: 2001).

Rajasthan and Gujarat are two of the most significant states, in terms of employment generated by artisanal sector. Libel and Roy quote the Census Survey of Handicrafts Sector 1999, conducted by National Council of Applied Economic Research, to report that 13% of all the artisans in India reside in the states of Rajasthan and Gujarat. Thus the artisanal sector provides employment to 1.04-1.17 million artisans in the states of Rajasthan and Gujarat.

The majority of the artisanal enterprises would classify under Non-Directory manufacturing establishments (NDME) or Own Account Enterprise (OAE) classification of CSO. Most of these are the household enterprises, wherein the entire household is engaged in the processes of manufacturing. These artisanal enterprises could further be classified into number of different sub-sectors based on the nature of the product they manufacture. Some of the major sub-sectors in artisanal enterprises are handloom weaving (cotton), earthenware, leather and leather products, engraving, polishing, etc. on metals, wood products, silk processing and weaving by hand, cotton and silk cloth processing by hand, zari (tinsel and gold-thread) and embroidery and khadi (hand-spinning and weaving of hand-spun yarn).

Support Services environment
Looking at the policy regulations in India for micro and small enterprises (MSE) and the key reasons for their failure, a number of factors come to light. Providing
subsidized finance, reserving certain items for small-scale sector, providing cheap premises, protection from imports etc, has all lead to complacency and could not create a strong competitive MSE sector (Mahajan and Fisher 1997).

In past, several promotional schemes aimed at artisanal microenterprises in khadi, handlooms, and handicrafts sectors have been implemented by various promotional agencies under which artisanal microenterprises have all received special attention and protection, skill training, subsidized credit, rebates, marketing assistance, etc. However, this protective umbrella has only helped in preservation of inefficient technologies, low productivity and lack of market orientation (Mahajan & Fisher 1997).

Most of the micro enterprises are beset with a multitude of constraints. Some of these constrains include access to credit for starting and sustaining the enterprises, raw material availability, obsolete products, outdated production technology, low managerial skills, limited technical skills, limited growth opportunities, declining markets, increased competition from the organized sector and limited information about dynamics of the sector (Hussain 1997, Bear 2000).

Recognition of weakness and difficulties of microenterprises (MEs), led to the establishment of specialized institutions which provides assistance to small enterprises eg: Rajasthan Small Industries Corporation, Khadi Village Industries Commission, Small Industries Development Bank of India, District Industries Centre etc., for various purposes. Most of these organizations are currently providing different kinds of support services like marketing, skill training, technology dissemination, credit, product and design development etc to help MEs. These support services are now popularly termed as Business Development Services.

**Business Development Services**

Donor committee on small enterprise development defines “Business Development Services” (BDS) as wide range of services used by entrepreneurs to help them operate and expand their businesses (World Bank 1997). The BDS field specifically supplies services to micro, small and medium scale enterprises.

“Once known as “non-financial services,” the field initially concentrated its efforts on providing training, consulting and other services that address the internal constraints on enterprises, i.e., their lack of education and technical capacity. But in recent years, the field has grown to include marketing services
and information resources that help micro enterprises gain access to services usually enjoyed by bigger firms” (Mc Vay and Michlbradt 2001:3).

The success of typical MEs therefore depends greatly on the extent to which the need for such services are recognized and addressed. “This is because all enterprises, regardless of their size, operate in larger economic systems; where liberalization is likely to open up markets, increase business opportunities, and intensify competition between firms and alternative supply networks” (Bear et al 2000: 8,9). Hence, for MEs to survive and grow in such a competitive setting, it is imperative for them to learn to improve their operational efficiency and product quality, and one of the ways to help them achieve this is by providing them with BDS.

Currently these BDS are being provided to MEs by three prominent institutions:

- **State:** Represented by various corporations and organization created by state and federal governments. Many of them are for profit corporations and others have non-profit mandate.
- **Market:** Represented by for profit business entities that either provide these services, directly or indirectly, for profit motive. They are represented by traders, business establishments, manufactures, wholesalers etc.
- **Third Sector:** A new entrant, the third sector is represented by Non Government Organizations (NGOs). These NGOs are mostly not-for-profit entities with strong welfare orientation, assisting targeted group of poor people.

**Ideological debate**

The neo–liberal model considers that state centered development is not productive since it has resulted into inefficient resource allocation and there is insufficient incentive for public sector management to remedy the situation (WDR 1997). Rent seeking behavior, corruption, principle agent problem, too much rigidity and political interference, all have been cited as reasons for labeling government as ineffective provider of welfare services.

Neo-liberals like Colclough and Monor see little role of Government in public service arena, which according to them should be taken care of by the market. Neo-liberal
model warrants state withdrawal from the public service with the belief that the invisible hand of market forces will operate efficiently without state control, to provide effective and efficient public services. However, markets are not perfect either and have their limitations. Colclough sums up his argument in favor of market by stating, “In setting matters of resource allocation, imperfect markets are better than imperfect states”. Thus neo-liberals are not asserting that markets are perfect- rather in other words, they will allocate resources more efficiently than alternative mechanisms (Colclough & Moner 1991).

Non-profit organization can be thought of as being somewhere between markets supply and direct government supply and hence classified as the third sector (Weimer & Vining 1999). NGOs have been favored by some neo-liberals for a number of reasons and are seen as comparable to private organizations in a number of ways (Gideon 1998). Neo-liberal sees NGOs replacing some of the welfare and public utility functions of the state. Commenting on the new policy agenda of new liberal paradigm, Hulme and Edwards described “NGOs as more efficient and cost effective providers than government giving better value for money, especially in reaching poor people”.

Historically, BDS has been perceived as a public good, and is typically financed by the government (McVay & Miehlbradt, 2001). The government of India has thus been heavily involved in BDS provision to MEs in various sectors. This has however resulted in troublesome inefficiencies and failures. For the last decade, an assortment of government, commercial, and nonprofit or NGO sponsored BDS projects has proliferated, resulting in various levels of access and efficiency across the country. According to the World Bank Committee of Donor Agencies for Small Enterprise Developments, global experience indicates that government or semi-government organizations are not ideal BDS providers. They rarely operate with a business mentality, are subject to political and bureaucratic interference, and are often disabled by a general lack of motivation (World Bank 1997). Furthermore, pervasive subsidies for state-funded business support have created distortions that hinder the development of private sector service provision (Field, Hitchins, and Bear 2000).

Non-profits and NGOs have often provided BDS successfully. Nevertheless, their common orientation towards charity and social work often limits their frame of mind towards the business aspects of providing BDS. Although NGOs usually demonstrate a strong sense of ownership and motivation, their overall technical and managerial
capacity is often weak. The donor committee on BDS concluded that “commercial organizations are the most successful providers of services to MSEs and extending the range of commercial BDS services is an important current trend.”

This is in sync with the overarching neo-liberal paradigm of favoring market over any other institution. This approach assumes that the public sector is inefficient and does not have incentives to provide these services effectively and efficiently. Rather it is the market, which can remove the distortion, reduce transactions costs and enable poor to participate in the market activities and gain from the growth (WDR 2002).

The dominant neo-liberal paradigm propagates that market institutions are more efficient and support services should be market based, wherein poor microenterprises should be treated as clients rather than beneficiaries. These providers should provide fee based services rather than subsidized services and the market institution through its ‘invisible hand’ will sort out inequity and provide public good to the entire population.

Rationale for study

Commercial providers of BDS have often been slated as the most efficient providers, however, whether they provide these services equitably, has not yet been proven. Also the efficiency of for profit providers against the not-for-profit providers is a matter of debate. Looking at the MEs as livelihoods provider to millions of rural and urban poor, there are three important issues that should be borne in mind before deciding upon the best provider of BDS. These issues are the issues of equity, efficiency and sustainability.

Equity

One of the goals of BDS delivery should be to provide equitable access to BDS opportunities for all working in microenterprise sector. This should include following:

- **Distributional equity**: Access of BDS to various geographic regions in the country.
- **Non-Discriminative equity**: Access of BDS bereft of any kind of class, caste, religion, gender, handicap discrimination, and with a special focus on those who have been historically underserved.
• *Vertical* equity (Income equity) Access of BDS services to all the income levels including the poorest MEs.

**Efficiency**
Efficiency has clearly been a problem for government supported BDS delivery in the past and one of the reasons for favoring market over state in BDS delivery. Efficiency is definitely a very important issue in BDS provision but it should not be allowed to over shadow equity issues.

**Sustainability**
State has been delivering subsidized services in India to the clients, without any attempts for cost recovery. This had serious repercussions on the financial viability and long-term sustainability of the services provided by these state providers. Financial sustainability of the BDS providers and the financial sustainability of microenterprise receiving BDS should be another issue that needs to be analyzed. There have been limited comparative studies, comparing three different institutional delivery mechanisms of BDS, more so in the case of India. It is important to do a comparative study of three institutional types against the issues mentioned above, in order to gain a better and holistic understanding of BDS delivery in India. It might help in redefining the role of various institutions and might help dispel some of the misconception about the ideal BDS provider.

**Research Design**
To find the relative competitive advantages of different institutions in delivering BDS to rural microenterprises, a study was conducted in the state of Rajasthan, India in summer 2002. Three organizations, representing state, market and the third sector, were selected and studied. Document review, interviews and informal focus group discussions with organization members and the microenterprises associated with these institutions, were the primary source of information. Interviews with other stakeholder like design institutes and technical institutes; local district functionaries were also conducted, to gain a comprehensive understanding of the organizations and the BDS that they offer. Microenterprises and their needs are highly diverse and the same applies to the organizations supporting these microenterprises. Appreciating diversity and
differences of the enterprises and the BDS, and to keep the extraneous factors at the minimum, organizations providing similar kind of services in one specific sub-sector in western and central Rajasthan were selected. Sub-sector of artisanal microenterprises, engaged in production of handcrafted utility and decorative products, was the focus of the study. Organizations providing support services like marketing, product and design development, technology development, skill development, capacity building, and credit facilitation in the arena of handicraft sector were selected. These organizations were all operating in similar environment and were aware of each other’s functioning and operations. This also provided unique opportunity to triangulate and assess the perceptions of different institutional actors towards each other’s.

The Rajasthan Development Corporation (RDC), RAJPUTANA exports and Bunkar Vikas Samati (BVS) were selected as representative of state, market, and the third sector respectively. However, during the course of study one more organization, Artisans Alliance (AA), which was started as an NGO and later on transformed into for-profit Company, was also incorporated in the study. Though these four organizations worked in the same sub sector, geographical areas, and provided similar kind of services, yet they varied greatly in terms of turnover, employee strength, management systems, scale, nature, and size. This made any comparison between these organizations a difficult proposition. All of these organizations are unique in their own settings, despite falling in the same institutional category and it is very difficult to make broad generalization about them. However, the approach, philosophy and functioning of different organizations selected in the study are representative of their institutional types. While avoiding generalization about a specific institution, the study does provide a broader understanding of the issues and focuses on the key principles, which renders an organization suitable or unsuitable for BDS delivery.

Institutional Profile

• **RDC**: Rajasthan Development Corporation (RDC), based in Jaipur, was established as a public sector corporation in 1961. Since its inception, one of the major objectives of this organization has been preservation and promotion of handicrafts of Rajasthan. It does this through a variety of support services like
direct marketing through a chain of retail outlets, exhibitions, and exports, imparting skill training, and product and design development initiatives. Initially, it worked primarily for the promotion of handicrafts, but now it is more like a for-profit, diversified corporation involved in business of procurement and distribution of raw material like coke, titanium dioxide etc, providing export infrastructure services like dry ports and inland container depot and supplying selected items like barbed wire, RCC pipes etc to various government departments.

- **RAJPUTANA exports:** RAJPUTANA export is a for-profit partnership firm of two entrepreneurs, established in 1981. They are currently one of the leading exporters of handicrafts and textiles from Jaipur. RAJPUTANA exports is perhaps one of the most artisan friendly exporters, from Rajasthan. Believing in and attempting to practice fair-trade principles, RAJPUTANA export was an associate of TraidCraft (Leading non-profit marketing organization of UK). RAJPUTANA export has provided management and technical support services to some of NGOs and government organizations in Rajasthan.

- **BVS:** Bunkar Vikas Samati (BVS) is a registered non-profit voluntary organizations of weavers established in 1994 for economic development of the weavers and their families. BVS adopts an integrated development approach and is currently working in areas like education, health, economic development and upliftment of *dalits* and women in 90 villages of Jaisalmer and Jodhpur district of western Rajasthan. BVS continues to provide marketing, product and design development, technical, management and credit support to weavers associated with it through its established system of *sanstapaks* (coordinators)

- **Artisans Alliance (AA):** Artisans Alliance was registered as not-for-profit trust by Hand-India (one of the biggest handmade retail outlets in India) in 1988-89 to serve the handicraft producers working with Hand-India in and around Jodhpur district of Rajasthan. However, due to legal hassles associated with being an NGO and involved in business activity, later on AA was transformed into a for-profit firm with the majority of shareholding residing with the founder of AA. The ownership of AA today vests in 1800 artisans, 14 employees of AA and the
founder. AA provides marketing, credit, technical and product and design
development support to artisans working with it.

**Service provided by these organizations**

All of these organizations are working with artisanal enterprises based in rural areas.
In majority of the artisanal enterprises engaged in handicrafts production, there is a
very limited local market and majority of the consumers reside in urban areas.
Besides, the scale of operation, being hand made, is very small and it is not
economical for them to sell the products directly in urban markets, individually. Thus
a regular sale of the products made by them is the biggest constraint for majority of
these artisanal enterprises.

All of the four organizations mentioned above, provide the crucial service of linking
rural artisanal enterprises with the urban markets. However, many times, these
products have to be customized to urban taste; hence product and design development
is often carried out by these organizations to enhance the marketability of the products
supported by them. All of these organizations are delivering support services with
different ideology and approach towards their MEs clients. Some are them are
explicitly delivering these BDS and other services like BVS, who feels that these
services are essential for survival of poor weavers working with them. On the other
hand, RAJPUTANA treat these services as cost of doing business for making their
products competitive.

Table 1.1 BDS being provided by different organizations

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>√</td>
<td>√</td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Credit</td>
<td></td>
<td></td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Product and design</td>
<td></td>
<td></td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Production Technology</td>
<td>*</td>
<td></td>
<td>√</td>
<td>√</td>
</tr>
<tr>
<td>Skill development</td>
<td>*</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Primary data and see Appendix 1)

(* RDC in past, used to provide these support services, but of lately have stopped providing
these services.)
All of these organizations are providing crucial marketing services to the MEs. All these organizations serve as a link between the producers and the end customers. It is interesting to note that RAJPUTANA have never engaged in the technology development or skill development ventures. Director of RAJPUTANA summed up his argument by stating:

"Developing skill base of the artisans and investing is better technology are expensive venture for RAJPUTANA to carry out. Furthermore they are unnecessary, as we could always shift to other suppliers if they have better technology and skills than our existing suppliers."

Besides the BDS service, some of other social services are also provided by some of these organizations. These services are often seen as their social responsibilities by these organizations.

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td></td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td></td>
<td>√</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension</td>
<td>√</td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Savings</td>
<td></td>
<td></td>
<td>√</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>√</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Source: Primary data and see Appendix 1)

Organizations like BVS are engaged in whole set of welfare and social activities within the villages in which they operate. Artisans Alliance on the other hand funds schools and health services in some of the villages in which they operate. RAJPUTANA funds and supports some of the social causes like literacy projects, but they are not directly related to places in which the MEs reside. RDC benefited 33 master craftsperson under its old age pension scheme till March 2001 and benefited 13,833 persons under its group insurance scheme. (RDC Annual report 2001)
Service Delivery systems

It is essential to understand the delivery mechanism of these services. Different organizations interact with MEs in different manners, these interaction often tell a lot about the approach and principles adopted by these organization.

Table 1.3 Service Delivery

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description of relation ship with MEs</td>
<td>Vendor</td>
<td>Supplier</td>
<td>Owners</td>
<td>Partner</td>
</tr>
<tr>
<td>System of distribution and procurement</td>
<td>Centralized in Jaipur</td>
<td>Centralized in Jaipur</td>
<td>Sanstapaks (Coordinator System)</td>
<td>Village agent system</td>
</tr>
<tr>
<td>Raw Material supply</td>
<td>Mostly suppliers arrange the raw material</td>
<td>Depends on the type of product. In textiles it supplies raw material and in handicrafts it does not supply</td>
<td>Supplies raw material</td>
<td>Supplies raw material</td>
</tr>
<tr>
<td>Payment mechanism</td>
<td>Piece rate</td>
<td>Piece rate</td>
<td>Wages</td>
<td>Wages</td>
</tr>
</tbody>
</table>

(Source: Primary data)

Terminology used to describe the microenterprise clients, also tells a lot about the relationship between provider and the BDS client. In order to maintain the quality of the end products, control of raw material supply is very important in the handicrafts sub-sector. BVS and AA ensure this by providing raw material directly to the artisanal enterprises. On the other hands RAJPUTANA does it by both postproduction quality checks and rejections and by providing raw material for production. When the scale of production is high and textile is the main product, it goes in for purchase of raw
material. RDC on the other hand entrust the responsibility of raw material mostly on
the supplier.

The system of procurement and distribution is centralized both in RDC and
RAJPUTANA and the piece rate payment mechanism, payments on the basis of
individual pieces produced, is the norm. Whereas BVS and AA have their own
elaborate systems of procurement and distribution and the artisanal enterprises
receives wages on pre-determined rates. Both in the case of BVS and AA, the
artisanal enterprises act as the processing enterprises, with the responsibility of raw
material availability, inputs of technology and design, and the final responsibility of
marketing, residing with BVS and AA.

Under the Village agent system of AA an artisan engaged in the production is
selected by AA who in turn provides certain services to AA and to the artisans.
Village agent is responsible for collecting goods from artisans, transporting goods to
AA warehouse, collecting payment from AA, disbursing payment to artisanal
enterprises, collecting raw material from the AA and distributing them to the artisans.
AA manages accounts and quality control. Previously, the village agent was
responsible for ensuring quality control; however, it did not prove to be very fruitful
exercise. As villagers started treating it as a power center and the usual politics and
resentment against the village agent for rejection of goods crept in. AA pays village
agent on piece rate basis for the services it provides to AA.

Vyasthapaks (Coordinator) system of BVS is very similar of village agent system of
AA. A sanstapaks is usually a weaver working with BVS, who coordinates 7-15
weavers in the villages. Sanstapaks are the day-to-day link between BVS and the
weaver and performs functions of quality control, record keeping, collection and
distribution of raw material and finished products and management and disbursement
of payments. Vyasthapaks get commission for the services they provide. Weavers
provide 7% of the weaving charges they receive to Vyasthapaks as commission and
BVS also provide 7% of weaving charges disbursed, as commission to Vyasthapaks.
Weavers, because of the financial incentive and power and status associated with it
often see being a Vyasthapak as a lucrative proposition.
Systems, in case of RAJPUTANA and RDC, are more straightforward and centralized. The quality control team in RDC and the manager in RAJPUTANA perform quality control functions; and payments on pre-approved terms are made. Existing systems in these organizations have been more or less established and reflect on the characteristics of these organization as well as institutions, which they represent. Analysis of performance of these systems on different indicators would provide a better understanding of these organizations efficacy in BDS delivery.

Performance

Efficiency

Efficiency is one area, which can be measured quantitatively by different figures provided in the balance sheet. In pure commercial terms, perhaps profit and administrative efficiency would suffice to measure efficiency. However, in BDS sector, outreach of these organizations in terms of client that they serve, should be another major indicator to measure efficiency.

1. Sales and profitability

Graph 1.3

(Source : See Appendix 1)

(* Sales figures of RDC for financial year 2001-2002 were not available hence figures for the year 2000-2001 have been taken. )

On first appearance, the performance of RDC seems impressive with the highest sales figures among all the four organizations.
However, a detailed look at the financial statement of RDC provides a better picture. RDC have been making loss on its handicrafts operations, consecutively since last three years. Handicrafts operations are a loss-making proposition for RDC and other unit’s earnings in the corporation are subsidizing it.

RAJPUTANA exports could not provide their profit statements. However, it was told that it is a profitable venture and with the profits from financial year 2001-2002, they were expanding their business and opening a retail outlet in Jaipur to cater to the local customers also.

BVS as a not-for profit organization cannot show profits. However, as per their bylaws they can keep 50% of the surplus generated from their operations, as retained earnings and remaining 50% of the surplus needs to be spent on development activities. BVS had accumulated retained earnings of 7,00,000/- ($15217 @ $1= 46 /-) till June 2002.

Profit in Artisans Alliance is generally 5% of net sales. In the financial year 2001-2002 net sales of 330,00,000/- ($717,391) took place, hence the profit was to the tune of 16,50,000/- ($35,870). Out of these profits, donations were made to the schools that are run by Hand-India and other community development works were undertaken and dividends were also distributed to the shareholders. Desert artisans as a company
issued two kinds of shares in the year 2000; one owned by the 14 staff members of AA and other owned by artisans working with AA. 1800 shares worth 1000/- ($21.7) each were issued to the artisans in the financial year 2000-2001. These shares were accessible to all the artisans working with AA and were issued on first come–first serve basis. For a share worth 1000/-($21.7), dividend of 10% i.e. 100/-($2.17) was given to the shareholders in the financial year 2000-2001.

Of all the organizations mentioned above, only RDC is making constant losses and remaining all the other organizations are making profits. This is in spite of the support and subsidization that RDC received during the initial years from the state and it being the oldest and biggest organization of all the rest.

2. Coverage
Coverage for the purpose of case study has been defined as the number of clients to whom marketing services have been provided by the organization. Marketing services, the BDS provided by all the organizations every year, serves as a good comparative indicator to compare the performance of these organizations. For sake of simplicity the clients dealing directly with these organizations have been enumerated in coverage. Vendors and suppliers of RDC and RAJPUTANA sub-contract or hire other household enterprises for specific tasks and the exact numbers of artisanal enterprises, which these vendors and suppliers support, have not been included in the study.

Graph 1.5

```
<table>
<thead>
<tr>
<th>Organization</th>
<th>Number of clients supplying goods</th>
</tr>
</thead>
<tbody>
<tr>
<td>RSIC</td>
<td>144</td>
</tr>
<tr>
<td>ARAVALI</td>
<td>25</td>
</tr>
<tr>
<td>UMBVS</td>
<td>157</td>
</tr>
<tr>
<td>DA</td>
<td>3000</td>
</tr>
</tbody>
</table>

Client Coverage (2001-2002)
```
RDC has 524 registered suppliers; of them 280 are rate-approved suppliers whose rates have been approved by the purchase committee. Of them only 144 suppliers have been providing goods to RDC on a regular basis. RAJPUTANA on other hand provided work to 25 suppliers in the financial year 2001-2002. BVS increased their weaver base from 116 weavers in 2000-2001, to 157 weavers in the financial year 2001-2002. Artisans Alliance provided work to 3000 artisanal enterprises in 40 units (clusters) in and around Jodhpur and Jaipur Districts. In terms of coverage, the performance of AA far exceeds all the other organizations.

3. Client per employee

Pure coverage tells about the spread of the organization, however, it tells little about the management efficiency of the organization. Perhaps, the numbers of clients that an employee handles would be better indicator of the management efficiency of the organization.

Exact data for the numbers of employees in RDC was not available. However, the fact that RDC maintains 9 handicrafts emporia in different places in country, runs one Design and Development Research Centre in Jaipur, has direct field presence in more than 7 districts in the state and has a full fledged division of handicrafts in the corporate office in Jaipur; employee strength of 100 employees would be an underestimation. Nonetheless, an estimation of 100 employees in RDC would be a safe assumption to make.

Graph 1.6

(Source: See Appendix 1)
This ratio indicates that management of Artisans Alliance is most efficient and productive. Client per employee ratio reveals that one employee in RDC handles 1.44 clients; in RAJPUTANA each employee handles only .64 clients. However, in BVS every employee handles 17.4 clients and in AA each employee handles 214.28 clients. However, the possibility of the systems of village agents and Vyasthapaks, masking the true management efficiency of these organizations should not be ignored.

4. Decision making process information systems

Effective and speedy decision making process and efficient management information systems, improves the efficiency of an organization manifold.

<table>
<thead>
<tr>
<th>Decision making</th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Highly</td>
<td>Key</td>
<td>Highly</td>
<td>Key</td>
</tr>
<tr>
<td></td>
<td>Centralized</td>
<td>Individuals</td>
<td>Decentralized</td>
<td>Employees</td>
</tr>
<tr>
<td>Access and retrieval of information</td>
<td>Difficult</td>
<td>Easy</td>
<td>Difficult</td>
<td>Easy</td>
</tr>
</tbody>
</table>

(Source: Primary data)

In the case of RDC, as in many public sector corporations, most of the decisions are centralized and vested in the committees, and eventually in the top officials of the organization. This more than often leads to delay in decision-making, which hampers the work of the organization. As one of the officer of RDC commented:

“More than often, many of the purchase designs are finally made on personal preferences of the Managing Director, which has little or no relevance to the market demands. We have seen three different Managing Directors in last one year. This constant changes in the top management further delays, the already delayed decisions.”

In RAJPUTANA the partners, along with key manager, take most of the decision and timely and effective actions are taken. BVS, like many NGOs, try to be all-inclusive and involve all the people in the decision-making process. This at times leads to excessive decentralized decision-making process wherein the entire organization is involved in mundane decision-making. This leads to delay in decision-making and on
some occasions by the time the decision is arrived at, the relevance of that decision is lost.

In Artisans Alliance the core group of 4-5 people takes all the decision. All of these organizations are directly involved in business processes and in business decision should be prompt and their execution should be equally quick. Delay in decision and decision taken by inapt persons, hampers the functioning of the organization.

CEO of AA quipped:

“ I have worked intensively with 3 NGOs in past and I am still involved with two of them. In NGOs all the people are involved in the decision-making. NGOs would call meeting after meeting and the decisions are never arrived at. By the time a consensus is reached, the relevance of that decision is lost and it is too late. In business, decision should be prompt and their execution should be equally quick. This is where we see the core strength of Desert Artisans lies. 

RDC is highly structured and compartmentalized organization and it is difficult to retrieve information required for speedy actions. The same applies to BVS wherein the specialized information vests in one key individual. Day to day operations are stuck for the want of information if the person who is having the information is not available. The systems of effective information recording and retrieval are not effectively in place in BVS.

In the case of RAJPUTANA and Artisans Alliance, management information system is strong and important information about key aspects are neatly laid out and accessible to the key people of the organization. They are prompt in responding to the queries of the buyers and other concerned agencies. Requisite information about all the orders in process are available in the office and an individual, who could provide the requisite information to buyers and supplier alike, is always present in the office of AA and RAJPUTANA. Operations in both these organization do not get stuck for the want of a key individual.

Thus on the criterion of efficiency, performance of AA appears to be the best one. Followed by performance of BVS and RAJPUTANA and RDC performs badly on almost all the accounts.
Table 1.5 Efficiency ranking

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>IV</td>
<td>I</td>
<td>III</td>
<td>II</td>
</tr>
<tr>
<td>Coverage</td>
<td>III</td>
<td>IV</td>
<td>II</td>
<td>I</td>
</tr>
<tr>
<td>Client per employee</td>
<td>IV</td>
<td>III</td>
<td>II</td>
<td>I</td>
</tr>
<tr>
<td>Decision Making</td>
<td>IV</td>
<td>II</td>
<td>III</td>
<td>I</td>
</tr>
</tbody>
</table>

However, there are some more facets of AA, which segregates it from the other three organizations. AA, since its inception has provided its products to only two clients so far, TraidCraft and Hand-India. So far more than 95% of its products have been sold to Hand-India only. This makes AA, a monopolistic supplier of FabIndia. 10-15% of total purchase of Hand-India comes from AA and remaining from sources throughout the country.

The reason for this single supplier bias is attributed to Hand-India’s initiative for setting up AA and the investment Hand-India had made in terms of time and efforts and setting up the infrastructure and capacities of the artisans. Therefore AA would like to give the quality products to Hand-India only and not to any other exporter or group. This means that AA does not have to take initiatives in marketing their products. With assured market from Hand-India it can afford to specialize in production, whereas other organizations have to deal with the aspects of production as well as marketing. Most of the energy and time of other organizations is consumed by marketing activities. Thus in other words, AA could be treated as a specialized production unit of Hand-India and the production specialization, with little concern for marketing, gives it an unfair competitive advantage over other organizations. Thus before any concrete conclusions are made regarding efficiency of different organizations, the captured market in form of Hand-India and concentration on productions by AA, needs to be taken into account.

Equity:
Providing access of support services to the marginalized sections of the society was one of the rationales for government intervention in the BDS sector. The equitable access of these services to the poor people and the benefits that poor artisanal microenterprises are able to gain from these services should be another major criterion for judging the services of different providers.

1. **Earnings per client**

Exact figures of average incomes to the clients of these organizations were not available. However, during the interviews, the organizations gave as estimates of annual earnings of their clients. Furthermore, the purchase figures provided by these organizations, gave some estimate of the revenue accrual to the client.

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>67,000/- to 137,000/-*</td>
<td>100,000/- to 5,000,000/- *</td>
<td>24,000/- to 36,000/-</td>
<td>24,000/- to 40,000/-</td>
</tr>
<tr>
<td>Annual income</td>
<td>67,000/- to 137,000/-*</td>
<td>100,000/- to 5,000,000/- *</td>
<td>24,000/- to 36,000/-</td>
<td>24,000/- to 40,000/-</td>
</tr>
</tbody>
</table>

(Source: See Appendix 1)

(* Both in the case of RAJPUTANA and RDC the figures include the raw material cost, transportation costs, wages and profits.)

RDC purchased goods worth 96,05,000/- ($208,804) (in the financial year 2000-2001 and goods worth 1,96,72,000/- ($427,652) in the financial year 1999-2000. Keeping the client base of 144 clients, the average revenue to the clients comes to 67,000/- ($1,457) in 2000-2001 and 137,000/- ($2,978) in 1999-2000. But these figures also include the cost of raw material, transportation, quality control, wages provided and the markup. These vendors further hire artisans on wages to do the job, thus the actual wages received by the household artisans and wageworkers would be very low.

RAJPUTANA exports generally charges a mark up of 35% on textile products and 60% on handicrafts products, the two-product category that it deals in. In the absence of details of individual purchases, aggregate of 47.5% markup have been assumed, to arrive at the cost price of the good purchased by RAJPUTANA in the financial year 2001-2002. RAJPUTANA purchased goods worth 7,720,000/- ($167,826) from 25 suppliers, with average of 308,000/- ($6,696) purchases from each supplier. Here
again the cost of raw material, transportation, quality control, wages provided and profit markup charged by the supplier are incorporated in it. The supplier further hires artisans on wages to do the job, thus actual wages received by the household artisans and wageworkers would be very low in comparison to that received by artisans working with BVS and AA.

BVS works directly with the men and women weavers and it provide direct wages for the work done by the weavers. On an average, depending on the production capacity of individual weaver, BVS provided wages ranging from 24,000/- ($522) to 36,000/- ($783) per annum per weaver. Artisans Alliance, on the other hand provided wages to the tune of 24,000/- ($522) to 40,000/-($870) per annum, to different artisans working with them, depending on the production capacity of individual artisan. These incomes are slightly higher than the average national per capita income of 440$. (Dreze and Sen 2002) Considering the cash inflow to individual households and looking it from the equity point of view, desert artisans and BVS are perhaps the best bet.

2. **Client profile**

The earning received by the clients of different organization, also reflects on the client characteristic of the organization.

<table>
<thead>
<tr>
<th>Table 1.7 Client profile</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enterprise</strong></td>
</tr>
<tr>
<td>Enterprise characteristic</td>
</tr>
<tr>
<td>Generally an entrepreneur from the artisanal community</td>
</tr>
</tbody>
</table>

(Source: Primary data)

In the case of RDC, in the early days when it started its operations, it worked with poor artisans, subsequently some of them grew into bigger enterprises and couple of
them became exporters themselves. As of now, all the 144 vendors are generally trader or small-scale entrepreneur who are either sub-contracting the job or hiring artisans on daily wages to accomplish the task.

This is also applicable to the suppliers of RAJPUTANA. Most of them are from the same artisanal community, who over the years have grown the scale, size, and operations of their enterprises, and have increased the capacity of their enterprises to employ more people. One interesting fact to observe is that, in RAJPUTANA and RDC, one would rarely find a women client or vendor.

AA started working with the poor men and women weavers, in district of Jodhpur. The mission of social upliftment of poor people in that area warranted that most of the clients of desert artisans be poor men and women. Artisans working with AA are supplying more than 80% of their annual production to desert artisans, they supply remaining 20% to other parties.

BVS, an organization was created for supporting the poor weavers in western Rajasthan. All of its clients were poor men and women weavers from the region in which BVS works. On judging equity from the client profile, BVS is perhaps the most equitable, followed by desert artisans.

A small description of poverty in Indian context would be helpful at this stage. Annual income of 3930/- ($85) has been marked as the rural poverty line in India (GOI 2001). Global poverty line of less than a $1 (World Bank) translates into $365 or 16,790/- per annum. According of the Government of India definition of poverty line, perhaps very miniscule proportion of the microenterprises working in the sub-sector could be classified as poor. The global poverty definition of less than a $1 per day perhaps, is a better measure of relative deprivation here. Due consideration should also be given of the fact that most of the enterprises in rural non-farm sector provide more remunerative incomes than the enterprises in the farm sector (Fisher and Mahajan 1997). The notion of relative poverty as determined by assets base, traditional space in Indian caste hierarchy, and income levels are some of the factors borne in mind while talking new artisans within the ambit of services offered by BVS and AA. No qualitative or quantitative study was conducted to measure the impact of these organization on brining people out of poverty, but the present income level indicates that majority of the clients of BVS and AA are currently above national and global poverty line.
3. Equitable access

There is a limitation to which these organizations can expand, and most of these organizations can provide services to a limited number of clients only. However, geographical concentration and clients access to these organizations is another parameter ensuring distributional equity.

Table 1.8 Equitable access

<table>
<thead>
<tr>
<th></th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geographical</td>
<td>Highly scattered</td>
<td>Relatively concentrated</td>
<td>Highly concentrated.</td>
<td>Highly concentrated.</td>
</tr>
<tr>
<td>concentration</td>
<td></td>
<td></td>
<td>Working in 16 villages</td>
<td>Working only in 40 clusters intensively</td>
</tr>
<tr>
<td>Access to client</td>
<td>Difficult</td>
<td>Easy</td>
<td>Regular interaction with clients</td>
<td>Regular interaction with client</td>
</tr>
</tbody>
</table>

(Source: Primary data)

RDC is mandated to work in the entire state of Rajasthan and hence its client’s distribution is highly scattered. It is difficult for clients to have ready access to the services provided by RDC. The geographical concentration of its office and decision making authority in Jaipur, makes it difficult for clients in isolated rural pockets of the state to access RDC.

RAJPUTANA, a for-profit enterprise, is relatively concentrated in its operations, in and around Jaipur. Geographical concentrations make sense from logistical point of view and it increases the operational efficiency of the organization as a whole. But it has little to do with equity. RAJPUTANA with its commercial orientation would like to work where it is most profitable for it to work. The focus of attention for RAJPUTANA is profit, not products or clients. Though as a socially responsible business, RAJPUTANA tries to ensure that it vendors provide fair wages to the artisans and if possible it would like to work directly with poor artisanal enterprises. But because of pragmatic reasons of volumes of good required in limited time period,
quality control, logistical and coordination reasons, it has to rely on some kind of intermediary.

BVS on the other hand is committed to its clients. BVS is a weaver’s society, and hence providing support services to poor weavers, is its prime mandate. It is highly concentrated in its limited area of operation and regular interaction with the clients, provides easy access to BVS. It is very transparent in its dealing and depending on its capacity; it tries to expand its client base every year.

Artisans Alliance, with stockholding of its clients and employees, is committed to its clients. So far, Hand-India is constantly buying the products supported by AA. However, hypothetically, in the unfortunate eventuality of Hand-India not buying products from AA, the course of action that AA would take, will reflects its true commitment. In that eventuality, whether AA supports the artisanal enterprises and look out for new markets for their products or whether it abandons artisans and shift elsewhere would reflect on the primary commitment of AA.

Thus on the criterion of equity, BVS performs best, closely followed by desert artisan. RAJPUTANA follows next and the performance of RDC is at the bottom of the four organizations. The prime commitment of the organization and the location affects the equitable access of the targeted client base.

<table>
<thead>
<tr>
<th>Table 1.9 Equity ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>RDC</td>
</tr>
<tr>
<td>Earning Per client</td>
</tr>
<tr>
<td>Client profile</td>
</tr>
<tr>
<td>Equitable access</td>
</tr>
</tbody>
</table>

**Sustainability**

An organizations long-term ability to provide support services to microenterprises is a major area of concern in the BDS field. The extent to which these organizations would be able to provide services to the clients sustainably, determines the viability of
BDS providers and it turn viability of artisanal enterprises that receive wage employment from them.

1. **Bearer of cost of services**

   The fact as to who bears the cost of the services is an important one in determining the sustainability of the BDS provider. At times, the cost are borne by the providers and is considered as the cost of doing business and is met out of profits, some times the cost are borne by the clients, while at other times some agencies subsidize the cost of BDS delivery.

   **Table 1.10 Bearing of cost of services**

<table>
<thead>
<tr>
<th>Administrative cost</th>
<th>RDC</th>
<th>RAJPUTANA</th>
<th>BVS</th>
<th>AA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other BDS costs</td>
<td>RDC</td>
<td>RAJPUTANA</td>
<td>Aid agencies</td>
<td>AA and Hand-India</td>
</tr>
</tbody>
</table>

(Source: Primary data)

The administrative costs in all the four organizations are met by their operations. This cost is incorporated into the markup and hence is sustainable. However, the organization needs to be a profitable entity in order to bear these costs sustainably. RDC and RAJPUTANA fully meet the cost of other BDS that they provide. RAJPUTANA invest in product and design development only and treats that as the cost of doing business. RDC used to provide a host of other services, but apparently now even the service of marketing is being subsidized by other operations of RDC. BVS is the organization, which provides largest number of support services. Non-profit status of the organization enables it to apply for different grants and support from various donors. Most of the support services in past used to be fully subsidized by donors; however, BVS has started meeting the cost of some of the services through its surplus now.

Hand-India subsidizes cost of some of the services of AA, in the form of designers from Hand-India who conducts product and design development workshops. Other support services cost are borne by AA from its operations.
Thus in most of the instances, other BDS is seen as a cost of doing business and are subsidized, by the operations of the organization. However, in case of BVS, which works with the poorest clients and have more social orientation, donors subsidize other support services. It appears that as long as the organization is profitable, some of these support services could be provided, sustainably.

2. **Profitability**

As already discussed in the section of sales and profitability, except RDC, all the three other organizations, are profitable. RAJPUTANA is most profitable of all of them; AA comes next, followed by BVS. RDC on the other hand have been showing loss for last three years.

3. **Continued services of the microenterprises**

As stated in the beginning, the markets for most of the handicrafts products are geographically distanced from the manufacturers. Hence continued linkage between markets and the producers, is one of the most significant BDS required by these producers on an ongoing basis. Not many examples have been found of artisans gradually withdrawing from the marketing services and directly linking themselves with the market. Under these circumstances continued delivery of marketing services, perhaps can serve as a proxy indicator of sustainability of microenterprises.

These are 524 registered vendors of RDC out of which only 27% (144) receive order from RDC on a regular basis. In the case of RAJPUTANA, they change their supplier base periodically depending on the nature and availability of orders. Out of 25 supplier of RAJPUTANA currently 12-13 have been associated with them for quite some time.

AA on the other hand is providing services to 80% of their original clientele. It is also applicable to BVS wherein most of the original weavers are still associated with them and the number of weavers is gradually being increased every year. Looking at sustainability from the microenterprises point of view, BVS and AA provides regular order on an ongoing basis and hence sustain their livelihoods.

| Table 1.11 Sustainability ranking |
|-------------|----------------|-------------|---------------|
| RDC         | RAJPUTANA      | BVS         | AA            |
From the summary tables it appears that RAJPUTANA is most sustainable service provider. However, the fact RAJPUTANA provides lowest number of services to a very small number of clients, should be borne in mind. It does not have a social mandate and its prime commitment towards profitability, is reason for its focus on cost control and profits. BVS and Desert artisans on the other hand, who provide large number of support services, to a large number of clients, with welfare orientation, probably are better suited to provide services even from sustainability point of view. But they should gradually try to provide these services through revenue from their sources and reduce their dependency on external donors.

**Key findings**

The study, comparing three different kinds of institutions, reinforces some facts and refutes some other. Though the findings are from four individual organizations, working in a particular location in one particular sub-sector, yet some of the findings could be generalizable to the institutions of state, market and the third sector.

**State:** The performance of RDC in comparison of other three organization proves the point that as a service provider of support services to artisanal enterprise, it is no longer, efficient, equitable, or sustainable. Dilution of focus, rigid rules and regulations, tight bureaucratic control, lack of effective and continuous leadership, lack of incentives to perform, and curbing of entrepreneurial spirit have been all cited as reasons for dismal performance of RDC by individuals within, as well as, outside RDC. Needless to say many of these characteristics are found in a whole lot of corporations and organization run by state bodies.
Market: RAJPUTANA as a private export firm, with profit as its most important constituency, is representative of the market. Hence it is not surprising that it scores maximum on the criteria of profitability. But when we see RAJPUTANA’s role as a service provider, than it performs better than the state, but certainly not better than the other two organizations. These are some features of private sector player in the handicrafts sector in Rajasthan, which does not render these market forces as the most effective BDS provider. As mentioned earlier, the commitment of market forces is towards profit; they will provide support to a particular product or enterprises till the time is it profitable. In that sense that act more like traders, who changes the commodity in which they trade, based on the market demand. Unlike manufactures who are more or less fixed to the products that they manufacturer, and who constantly search for alternate markets for their products. Furthermore even when they operate in same commodity for quite some time, they are not very equitable. Their operation warrants that they deal with bigger enterprises that could provide bulk products and handle coordination functions at their level. This bias towards bigger enterprises makes them inequitable providers of service.

Third Sector: BVS as representative of NGO has a welfare orientation, is located very close of its clients, is participatory and all-inclusive and provides a host of BDS and other social service. In terms of performance, it performs better than RDC and RAJPUTANA as a service provider. However, it has its own share of shortcomings. The welfare orientation at times takes precedence over the commercial orientation, this hampers the performance of the organization. BVS as an organization have diversified into too many activities and this comes at the cost of dilution of attention from the BDS. At the same time the decision-making and information systems processes needs to be strengthened to make it a more effective provider.

Artisans Alliance: An organization which started initially as an NGO and was later on transformed into a for profit company, represents an interface between the third sector and the market forces. It has not lost its social commitment, inspite of its strong commercial orientation. Among all the fours different service providers, it seems to be the most efficient, equitable, and sustainable service provider. However, the fact that it is functioning as a production base for Hand-India and can afford to concentrate
purely on production activities should not be ignored, as it provides unfair advantage to it, over the other three organizations.

BDS, especially for poor microenterprises, requires a delicate balance of commercial and welfare orientation. But nonetheless it is easier said than done. The case study once again reinforces some of the core-principles for BDS provision being propagated by Committee for donor agency for small enterprise development.

- **Business like**: BDS providers need to be business like and should have a strong commercial orientation. This orientation should be reflected in systems, values and personnel. However, this does not mean dilution or abandonment of social objective. A strong client focus, treating recipient of these services as clients, rather than as beneficiary is essential.

- **Sustainable**: The provider should be able to cover up the cost of its operations. This case study provide example of sustainability of marketing services by building in the cost of these services as business cost. However, sustainability of other services like technology, skill and capacity building etc has not been proved yet. Nonetheless, profitability of BDS provider should be one of the core-principle that should be adhered to.

- **Focus**: It is important to retain the focus of the business. BDS provider should develop the core-competency of their organizations. They should avoid spreading too thin and too far. Within the area of focus they should constantly review the costs they are incurring and try to make their operations most cost-effective.

- **Ownership**: It is essential that the employees as well as clients have important skate in the organization providing BDS. Best case is Artisans Alliance, wherein both employees as well as clients have stake in the organization and tends to gain from the profitability of the venture.

- **Participatory approaches**: The BDS provider should adopt participatory approaches to improve the delivery of such services and make them more efficient and effective. However, this should not hinder effective decision making by the providers, as often happens in case of BVS.

- **Localized**: BDS provider should be localized or decentralized. The localized nature of BVS and Artisans Alliance besides improving their efficiency, also
help then keep in touch with their clients and prompts speedy and effective decision-making.

**Conclusion**

This case study, by comparing three different institution types, demonstrates that there is no one particular institution type that is most suitable for delivering Business Development Services. Rather it is the approaches, which these organizations follow, that make an organization better BDS provider over other. Commercial organization need not be the best BDS provider always, as is the case with RAJPUTANA. Rather is it the commercial orientation of the BDS provider, which makes them more effective provider as demonstrated by Artisans Alliance and BVS. It is often said that equity and efficiency are often contradictory to each other. However, the very nature of BDS for poor microenterprises warrants efficiency in operations, with the principles of equitable access of these services to the clients. A manager at Artisans Alliance commented “Desert artisan is an organization with the motive of an NGO and the performance of the Private sector.” This blend of commercial and welfare orientation is a very difficult one, but perhaps a commercial orientation in operations and welfare orientations in terms of clients group receiving BDS, is what is required for effective BDS delivery. This combination is difficult, but not impossible.
Bibliography


Dreze Jean and Sen Amartya India development and participation Oxford University Press, Oxford 2002


Field Michael, Hitchins Rob and Bear Marshall Designing BDS Interventions As If Markets Matter Micro enterprise Innovation Project, USAID November 2000


Levitsky Jacob Business Development Services in Asian Countries, ITDG Publishing UK, 2001


Mary McVay and Alexandra O. Miehlbradt. Developing commercial markets for BDS: can this give the scale and impact we need?” Background Reader, Business Development Services , ILO, September 2001.

Tanburn Jim How sustainable can business development services really be? A report on the Harare BDS workshop, Small Enterprise Development, ITDG Publishing Volume 10 Number 1 March 1999


http://www.censusindia.net/ dated 12/15/2002

Internal documents:

Project Proposal submitted by BVS for Maker to Market program to Aid to Artisans, USA, Jan 2001

Proposal submitted by Bunker Trust for Maker to Market program to Aid to Artisans, USA, June 2002

Appendix 1

(Following interviews and internal documents review are source of Tables no. 1.1, 1.2 and 1.6 and Graph no.1.3, 1.5 and 1.6)

1. Interviews conducted with Mr. Bhavnagar (General Manager RDC), Mr. Bhargava (Dy. GM) RDC and Mr. Verma (Manager, Purchase)
2. Interviews conducted with Mr. Duggal and Mr. Vinod, Partners RAJPUTANA exports.
3. Interviews conducted with Mr. Dwivedi, Chief executive Artisans Alliance and Mr. Kuldeep, Manager Artisans Alliance, Jaipur
4. Interviews conducted with Mr. Barupal, Chief Executive BVS and Mr. Panwar, Marketing Manager BVS
5. Handicrafts of Rajasthan, a PowerPoint presentation made by RDC
6. Internal files of RDC
7. Internal Files of BVS
8. Internal Files of Artisans Alliance