



A Study on Off-Farm Producer Organizations (OFPOs) in Karnataka and Tamil Nadu

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Development Bank of the Nation for
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Mission

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technology and institutional development
for securing prosperity.

A Study on Of f-Farm Producer Organizations (OFPOs) in Karnataka and Tamil Nadu



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Disclaimer

This document has been prepared by Bankers Institute of Rural Development (BIRD), Mangaluru, based on the field study by a team comprising of Dr. Sandhya Nagesh and Shri R.Ganapathy, Faculty Members.

The study report has been prepared based on field study and feedback received from various stakeholders involved in the promotion of Off Farm Producer Organisations in Tamil Nadu and Karnataka. While BIRD has undertaken all efforts to ensure the accuracy of information, errors and omissions cannot be ruled out.

The views expressed in the report are that of the study team. It does not necessarily represent the policy or views of BIRD, Mangaluru or National Bank for Agriculture and Rural Development (NABARD).

Foreword

The development of rural Off farm sector or rural non-farm sector (RNFS) in India is imperative for sustainable economic growth, diversification and enhancement of rural household incomes and reducing income inequality, besides reducing the pressure on land. The RNFS in India accounts for nearly 40 per cent of the rural output and over 60 per cent of the rural employment in India, contributing to multiple Sustainable Development Goals (SDGs) of the United Nations. However, the sector suffers from innumerable challenges such as low productivity, poor quality of products, inadequate capability, lack of access to markets, finance, technology and skills, lack of business processes and systems, regulatory and legal hurdles, lack of innovation and value addition, and high competition from market players. The evolution of clusters and collectives provided a renewed direction to the development of RNFS by providing opportunity to groups of rural artisans to organize themselves to engage in various productive economic activities in a cost-effective and efficient manner, expanding their market reach and improve their income levels.

As part of its initiatives for supporting the rural non-farm sector, NABARD has adopted a cluster-based approach for development of POs in activities like handloom, handicrafts etc. for promoting rural enterprises. NABARD has been supporting the formation and nurturing of OFPOs since 2016 when the policy for promotion of OFPOs in existing clusters supported by NABARD was issued. The OFPOs are expected to bridge the gaps existing in skill, technology, quality and market, by building the capabilities of its members to leverage the production and marketing ecosystem for sustainable income generation. As on 31st March 2024, 74 OFPOs covering over 20,000 artisans and weavers have been supported by NABARD under the scheme crore across 27 states for undertaking business activities of aggregation, marketing and input distribution.

Recognising the importance of collectivisation in the off-farm sector in India, the present study on 'Off-farm Producer Organisations in Karnataka and Tamil Nadu' was conducted by BIRD, Mangaluru, with the objective of analysing multiple aspects such as the role of promoting institutions in promoting Off-farm Producer Organisations (OFPOs), challenges faced by producers in collectivising their operations at various levels, the organisational structure and governance aspects of OFPOs, the business planning process of OFPOs, the marketing strategies adopted and the specific factors critically impacting the performance of OFPOs. The report also highlights policy recommendations and suggestions for sustainability of OFPOs.

It gives me great pleasure to release the study report. I hope the report would be useful to readers, stakeholders and policy makers for better understanding of the Indian rural off farm sector and OFPOs.

V.S.Balasubramanian
Joint Director
BIRD, Mangaluru
March 2024

Acknowledgement

The present study on 'Off farm Producer Organisations in Karnataka and Tamil Nadu' aimed at understanding the enabling and constraining factors impacting their performance with particular emphasis on their access to critical inputs and facilitators like technology, skill, finance and market in relation to their size and volume of operations. More specifically, the study focussed on analysing the role of promoting institutions in promoting Off-farm Producer Organisations (OFPOs), challenges faced by producers in collectivising their operations at various levels, the organisational structure and governance aspects of OFPOs, the business planning process of OFPOs and the marketing strategies adopted. The study covered four OFPOs each in Karnataka and Tamil Nadu.

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We also gratefully acknowledge the cooperation and support extended by the representatives of POPIs and OFPOs during the course of the field visit, without which this study would not have been possible.

Study Team
BIRD, Mangaluru
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List of Abbreviations

BIRD	Bankers Institute of Rural Development
BOD	Board of Directors
CBO	Community Based Organisations
CCC	Client Consultation Committee
CEO	Chief Executive Officer
CFC	Common Facility Centre
DDM	District Development Manager
DDU-GKY	Deen Dayal Upadhyaya Grameen Kaushalya Yojana
DIC	District Industries Centre
FPO	Farmer Producer Organisation
GOI	Government of India
GST	Goods and Services Tax
IDF	Initiatives for Development Foundation
KVIC	Khadi and Village Industries Corporation
LEDP	Livelihood Enterprise Development Programme
MCA	Ministry of Corporate Affairs
ME	Micro Enterprise
MEDP	Micro Enterprise Development Programme
MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
MSME	Micro, Small and Medium Enterprises
NABARD	National Bank for Agriculture and Rural Development
OFPO	Off Farm Producer Organisation
PO	Producer Organisation
PC	Producer Company
PCL	Producer Company Limited
PMJJBY	Pradhan Mantri Jeevan Jyothi Bima Yojana
PMSBY	Pradhan Mantri Suraksha Bima Yojana
POPI	Producer Organisation Promoting Institution
QC	Quality Control
READS	Rural Education and Development Society
REDP	Rural Entrepreneurship Development Programme
RNFS	Rural Non-Farm Sector
SDI	Skill Development Initiative
SFURTI	Scheme of Fund for Regeneration of Traditional Industries
SHG	Self Help Group
SIDBI	Small Industries Development Bank of India
TN	Tamil Nadu
VAPS	Voluntary Action for People Services
WC	Working Capital
WOMAN	Women Organisation for Mass Action

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Executive Summary

1. As part of its initiatives for supporting the rural non-farm sector, NABARD has been supporting the formation and nurturing of OFPOs since 2016 when the policy for promotion of Off Farm Producer Organisations (OFPOs) was issued. Around 67 OFPOs covering over 20,000 artisans and weavers have been supported by NABARD under the scheme across 27 states as of May 2023.
2. The present study on 'Off-farm Producer Organisations in Karnataka and Tamil Nadu' has been undertaken by BIRD, Mangaluru, with the objective of analysing multiple aspects such as the role of promoting institutions in promoting Off-farm Producer Organisations (OFPOs), challenges faced by producers in collectivising their operations at various levels, the organisational structure and governance aspects of OFPOs, the business planning process of OFPOs, the marketing strategies adopted and the specific factors critically impacting the performance of OFPOs. The study covered eight OFPOs - four each in Karnataka and Tamil Nadu states.
3. There is wide variation across the OFPOs on almost all the parameters covered, depending on the geography, nature of products/trade, market scenario and the socio-economic profile of the artisans/weavers. While four OFPOs were involved in textiles (weaving, dyeing, printing & fabric making), two of them specialised in embroidery (Aari and Kasuti), one in jute products and one in Kolhapuri chappal making. Two products viz., Kasuti and Kolhapuri chappal have obtained GI tagging.
4. Half of the OFPOs were exclusive women OFPOs. The membership of the OFPOs ranged from 100 to 500, with the paid-up capital ranging from Rs.2.20 lakh to Rs.12.50 lakh, pointing to their very low resource base and lower level of capacities to raise external funding.
5. The BoD had a strength of 10-13 Directors, with adequate representation of women (except in one OFPO). The BoD met at regular intervals in majority of the cases (7 out of 8) and maintained all requisite records.
6. The capability of the BoD to guide the OFPO in effectively organising and carrying out business activities was by and large satisfactory, except for two cases where there was no clear distinction between the governance of the POPI and the OFPO (IDF & Charaka Society).
7. All except one OFPO had a regular CEO. The administrative team of all OFPOs was relatively small with a strength of 2-5 staff.
8. All the OFPOs operated from rented premises (rental ranging from Rs.4000 to Rs.54000 per month) and possessed basic infrastructure like furniture and at least one computer.
9. The average annual sales of the eight OFPOs ranged from Rs.8.12 lakh to Rs.36 lakh during FY23.

Major findings of the study

10. In majority of the cases, the formation of OFPOs was a logical culmination of various community mobilisation initiatives of the NGOs/CBOs (present POPIs). Therefore, major constraints were not observed in such cases for initial mobilisation of members and formation of OFPOs in both the states. However, in the case of two OFPOs, expansion of membership was a critical constraint on account of illiteracy and low level of awareness among members (Santh Haralayya Leather PCL) and non-availability of genuine, skilled weavers (Uttariya PCL).
11. The performance of POPIs in mobilization and sensitization was found to be either good or satisfactory, except in the case of two cases, (viz., IED and Charaka Society), where the handholding extended to the respective OFPOs was found to be sub-optimal and inadequate and hence needed substantial sensitization and reorientation of purpose.
12. The activities undertaken by the OFPOs, mostly with the active support and involvement of the POPIs, included capacity building, skill training to members, bulk procurement of raw materials, setting up and maintaining the CFC, fetching bulk orders, product design, development and branding and marketing of products. Six OFPOs set up CFCs for their members, though at varying levels of infrastructural and operational capacities. In most cases, all backward and forward linkages are carried out by the OFPO (mostly through the POPI) and the members receive monthly wage payments or commission charges for the job-works undertaken by them.
13. The study found that the OFPOs were not able to scale up and expand the volume of production and business primarily due to lower production efficiencies and high turn-around-time on account of use of traditional, obsolete and inefficient production technologies.
14. The low capital base coupled with poor skills, lack of precision and low levels of education pose severe bottlenecks to the expansion prospects of most of the OFPOs.
15. As a result of the given socio-economic pre-conditions and multi-dimensional deprivations of the members, the OFPOs most often did not perceive the need for external funding for expansion and hence had not approached banks for finance, though the study found the dire need for working capital in most of the cases. Also, there was a strong perception among the OFPOs that may not be creditworthy due to the low capital base and irregularity in sales turnover. The pandemic situation had aggravated the financial condition of a few of the OFPOs due to severe marketing constraints.
16. The enabling factors included the intrinsic strength of collectivisation through the OFPO platform in providing a sense of security and belongingness to the members and facilitating them to concentrate on production leveraging their knowledge and skills. The setting up of CFCs by 6 out of 8 OFPOs, though at a very basic level, helped in providing better production facilities and working environment with flexibility to the members.
17. Upgrading and strengthening of the existing CFCs with modern machinery and equipments using latest technology is essential for growth and expansion of the OFPOs, which in turn needs external support and funding.

18. The mix of marketing strategies adopted by some of the OFPOs, with a combination of direct outlet sales to institutional tie-ups and online platforms was a positive feature.
19. Bringing together women artisans and weavers into the fold of OFPOs was found to have profound positive socio-economic implications in terms of higher female labour force participation, improved opportunities for livelihood, business and income generation, dignity of labour, job satisfaction, women empowerment, social and financial inclusion and higher potential to contribute to national GDP.
20. Nevertheless, there were many challenges too, experienced in varying measure by different OFPOs. The severe awareness gaps among members regarding the concept, purpose and objectives of the OFPO resulted in a lack of sense of ownership of the OFPOs as shareholders, crippling the financial performance of OFPOs. As a result, the POPIs tend to dominate and engage the OFPO members as mere labourers for the business goals of the POPI.
21. Low level of membership, poor share capital mobilisation, inadequate skills of members, low level of computer skills and lack of professionalism hamper the growth and performance of OFPOs.
22. The major constraints experienced by OFPOs in marketing emanated from inadequate skilling, low level of mechanization, poor technology adoption and lack of standardization, all of which are mutually reinforcing factors and cumulatively manifested as sub-optimal productivity and efficiency in terms of output per unit of inputs used, high cost of production, less competitive pricing, poor quality of products, low economies of scale and lower profitability.

Implications for Policy and Suggestions

- 23 **Review of OFPO Policy Guidelines:** To pre-empt incompetent CBOs from participating in the scheme for promotion for OFPOs as well as to avoid under-utilisation & misutilisation of grant, it is suggested that the policy guidelines may provide flexibility to assist OFPOs at various stages of growth in a customized, need-based manner, rather than a 'one-size-fits-all' approach. The extent of support and modalities of sanction and release may be rationalised to avoid underutilisation of funds. The possibility of according graded sanction of assistance in a step by step manner for each stage of development of the OFPO, based on the satisfactory accomplishment of deliverables expected during the particular stage of promotion and satisfactory utilisation of the grant, if any, released in the preceding stage of development, may be contemplated (instead of the present system of according a blanket sanction of assistance for a period of three years based on the membership linked category of OFPO).
- 24 The policy guidelines shall discourage the tendency of POPIs to depute their staff as CEO and administrative staff of OFPO by stipulating that such practices shall not be allowed beyond a reasonable timeframe and linking with the disbursement of grant assistance.
- 25 Suitable clauses shall be introduced in the scheme to ensure that the financial management and accounting of the POPI and OFPO are not inextricably intertwined (Uttariya PCL and Sakhi Saphalya PCL).

26 It may also be insisted that the BoD of OFPO has adequate representation of all the clusters/locations of the OFPO on a geographical basis.

27 A more rigorous mechanism of periodic monitoring and visit may be devised to identify critical gaps and to suggest timely corrective measures.

28 **Training, capacity building and skill upgradation:** Intensive capacity building and skill training programmes may be organized by the POPI and OFPOs to address the critical awareness gaps observed at all levels of OFPO and POPI.

29 **Role clarity and exit strategy for POPIs:** POPIs shall be sensitized on their roles and responsibilities for extending necessary handholding in adequate measure to the OFPOs, in a such a manner that the facilitation does not lead to dominance and exploitation of the artisans and members in a different way. The POPI shall submit a clear exit plan to NABARD as per which it withdraws at the end of the specified period, after necessary handholding to ensure that the OFPO is capable of managing its affairs independently.

30 **Strategies for technology upgradation and marketing tie-ups:** Considering the far-reaching socio-economic benefits of bringing rural artisans and weavers into the fold of collectives, the Government may recognise OFPOs as eligible entities for support under its developmental programmes and schemes for technology upgradation, procurement and marketing in the MSME sector. Government may also consider devising suitable scheme for assisting technological upgradation of OFPOs (on the lines of the credit-linked scheme viz., PMFME).

31 POPI shall encourage the participation of more educated youth in promotion of OFPOs by way of startups to bring in innovations and digitisation of value chain activities of the OFPO.

32 **Strategies for business expansion through credit linkage:** The OFPOs shall thoroughly review their initial business plans, identify the shortcomings in the projections made and refine the same considering the ground realities and the potential for business expansion, with gradual growth in annual turnover. The revised business plan of OFPOs shall be periodically reviewed at the district level by a Committee comprising of DDM, LDM and Government Department concerned (MSME/DIC/KVIC).

33 The Government may consider a scheme for providing equity grant support to OFPOs also on the lines of the scheme available for FPOs, to improve the capital base of nascent OFPOs and increase their credit worthiness. The scheme may be linked to the performance of the OFPO in terms of key deliverables under suitable parameters, as identified by NABARD.

34 Banks may be sensitised (at the district and state levels) about OFPOs and the need for supporting them for strengthening the non-farm and MSME sectors. Banks may extend long term investment loans to OFPOs for setting up requisite infrastructure in form of godowns for storage of raw material, semi-finished and finished stocks, purchase and installation of machinery and equipments, sales depot, dye-houses and mobile sales van. Suitable loan products may be designed for extending working capital requirements of OFPOs.

Chapter – 1

Introduction

1.1 Off-farm sector in India

The rural Off-farm sector or rural non-farm sector (RNFS) in India comprises of diverse spectrum of income generating and livelihood activities outside the purview of agriculture in rural areas, spanning across sectors such as manufacturing, processing, mining, construction, trade, and services. In a country like India where approximately 70% of the population resides in rural areas with majority of them being small and marginal farmers depending on agriculture and land-based activities that are largely unsustainable, the development of RNFS holds a promising role in diversification and enhancement of rural household incomes and reducing income inequality, besides reducing the pressure on land. Besides addressing the challenge of overdependence of rural workforce on agriculture, the RNFS can also contribute to the national economy by enhancing the rural-urban linkages, diversifying the sources of growth, and creating a balanced regional development. The RNFS in India, with its dynamism and diversity of activities in terms of products, offers immense potential for rural development and poverty reduction, thereby contributing to multiple Sustainable Development Goals (SDGs) of the United Nations. It is estimated that the sector accounts for nearly 40 per cent of the rural output and over 60 per cent of the rural employment in India.

Nevertheless, the sector is not without challenges such as low productivity, poor quality of products, inadequate capability, lack of access to markets, finance, technology and skills, lack of business processes and systems, regulatory and legal hurdles, lack of innovation and value addition, and high competition from urban and global players. Many studies have also shown that the sustainability of the sector is positively correlated with the level of education and skill of the workforce dependent on it. The Indian RNFS received significant policy thrust in the post reforms period both in terms of employment generation and overall growth of the sector. The Government of India (GOI) has introduced various schemes and policies to promote and nurture the non-farm sector in rural areas, such as MGNREGA, DDU-GKY, cluster development and programmes run by KVIC, SIDBI, etc.

The evolution of clusters and collectives provided a renewed direction to the development of the sector by providing opportunity to groups of rural artisans to organize themselves to engage in various productive economic activities in a cost-effective and efficient manner. These clusters and collectives which take different forms, such as self-help groups, cooperatives, producer companies and trusts, operate in different domains, such as handloom, handicrafts, agro-processing and e-services. Multiple factors such as the changing patterns of rural employment and income, with a gradual shift from farm to non-farm activities, the availability and access to local resources, such as raw materials, skills, markets, finance, technology and infrastructure, support and linkage services extended by social enterprises and community based organisations influenced the formation of clusters and collectives in India.

1.2 Rationale for POs in Off-farm sector

Aggregating producers into clusters or collectives is one of the best mechanisms to improve access of small producers to investment, technology and market. Collectives in the form of

Producer Organisations (POs) can help the producers tide over the afore-mentioned constraints prevailing in the sector by offering a multitude of services aimed at providing economies of scale, bargaining power, quality assurance, branding, and innovation to their members.

POs in the off-farm sector, referred to as Off-Farm Producer Organizations (OFPOs), are collectives of non-farm producers comprising of artisans and weavers who come together to avail of the benefits of collective input procurement, value addition, design innovation and development, processing, brand building, creation of storage and logistics infrastructure, mechanization and development of technology along with strong forward and backward linkages that accrue to them through the OFPO, resulting in increased incomes.

An OFPO is a legal entity formed by primary producers who are involved in off-farm activities such as handlooms, handicrafts, artisan products, agro processing, etc. OFPOs play an important role in promoting rural enterprises, generating local employment through value addition, design innovation and development, processing, brand-building, creation of storage and logistics infrastructure, mechanization, development of technology and forging strong forward and backward linkages.

The OFPOs are therefore intended to bridge the gaps in the existing value chains (in terms of access to technology, skill upgradation and marketing) and take over the responsibility of any one or more activities in the value chain of the produce right from procurement of raw material to delivery of the final product at the ultimate consumers' doorstep. Furthermore, the interventions of POs also augment social capital through the empowerment of rural artisans and by inculcating democratic governance principles.

1.3 Role of NABARD in supporting Off-farm sector and OFPOs

NABARD has taken several steps for the development of rural India through various developmental and promotional initiatives for skill building, entrepreneurship development and marketing support for rural off-farm sector. Based on the vast experience gained from promoting POs in the farm sector, NABARD embarked on the programme for replicating the success in the off-farm sector by promoting OFPOs to help the sector derive the benefits of collectivisation and economies of scale. The Off-Farm Development Department (OFDD) of NABARD adopted cluster-based approach for development of producer organisations in off-farm sector activities like handloom, handicrafts etc for promoting rural enterprises. NABARD has been supporting the formation and nurturing of OFPOs since 2016 when the policy for promotion of OFPOs in existing clusters supported by NABARD was issued. Later, the scheme for supporting OFPOs in new clusters was also introduced in 2017 and the revised operational guidelines were issued in August 2022. Through this scheme, NABARD has been supplementing the efforts of POs by helping them right from the inception stage to the mature marketing stage.

The OFPOs have proved to be an important tool to aggregate the artisans, weavers and other rural producers living in small clusters for coming together for improving their produce, expand their market reach and improve their income levels. OFPOs can play a major role in providing gainful, productive, sustainable and inclusive employment opportunities to a large rural populace. Simultaneously, promotion of OFPOs will enable participatory institution development, access to technology, credit and market linkages, provide opportunities for enhanced income, productivity and income generation. Though the primary producers have

some basic skill in producing, they generally need training support for production of quality products and marketing. The OFPOs are expected to bridge this gap by striving to build the capabilities of its members to appropriately leverage the production and marketing ecosystem to generate income in a sustainable manner.

1.4 Status of promotion of OFPOs in India

As on 31 March 2024, 74 OFPOs covering over 20,000 artisans and weavers have been supported under the scheme across 27 states for undertaking business activities of aggregation, marketing and input distribution. Out of the total of 67 OFPOs sanctioned as on 31 May 2023 (at the time of commencement of the study), the highest number of OFPOs have been set up in Odisha (10), followed by Karnataka (5), Jharkhand (4), Madhya Pradesh (4) and Tamil Nadu (4). The state-wise position is given in Table – 1. With total grant assistance of Rs.3549 lakh sanctioned for promotion of 67 OFPOs, the average grant assistance per OFPO works out to Rs.52.97 lakh.

Table – 1: State wise details of OFPOs and grant assistance sanctioned (as on 31 May 2023)

Rs. Lakh

Sl. No.	State	No. of OFPOs sanctioned	Total grant assistance sanctioned
1	Andhra Pradesh	3	73.95
2	Arunachal Pradesh	1	19.95
3	Assam	2	73.18
4	Bihar	2	74.24
5	Chhattisgarh	2	48.58
6	Goa	1	48.90
7	Gujarat	2	188.67
8	Haryana	2	104.63
9	Himachal Pradesh	1	90.11
10	Jammu & Kashmir	2	49.83
11	Jharkhand	4	322.91
12	Karnataka	5	394.63
13	Kerala	1	88.75
14	Madhya Pradesh	4	152.82
15	Maharashtra	3	251.30
16	Meghalaya	1	91.95
17	Mizoram	1	47.63
18	Nagaland	1	44.29
19	Odisha	10	405.05
20	Punjab	1	23.99
21	Rajasthan	3	259.08
22	Sikkim	1	122.43
23	Tamil Nadu	4	197.47
24	Telangana	3	163.37
25	Tripura	1	49.00
26	Uttar Pradesh	3	65.66
27	West Bengal	3	96.64
Grand Total		67	3549.00

Source: OFDD, NABARD, HO, 2023

1.5 Objectives and Terms of Reference of the Study

With the registration of around 50 OFPOs so far under the scheme of NABARD, it would be worthwhile to examine and evaluate their performance regarding various critical aspects of their functioning as well as the problems and prospects of OFPOs. Though several studies have been conducted on various facets of FPOs, no study has so far been conducted on OFPOs. Further, the nature of activities of OFPOs, socio-economic conditions of off-farm producers and the related value chain interventions being much different from those in the farm sector, the findings of FPO studies may not be directly comparable to OFPOs. During the review of BIRD, Mangaluru by CGM, HRMD on 17 February 2023, on the sidelines of the 11th CCC meeting, one of the action points that emerged was to conduct a study on Off-farm Producers Organisations (OFPOs) to examine and evaluate the enabling and constraining factors impacting the performance of OFPOs, with particular emphasis on their access to critical inputs and facilitators like technology, skill, finance and market in relation to their size and volume of operations. The study shall also aim to understand the problems and challenges faced by OFPOs in business expansion, product standardization, marketing and price realization.

In this backdrop, the present study was proposed with the following specific objectives:

- 1) To study the challenges faced by producers in forming producers' organisations (and collectivisation of their activities at various levels of operation)
- 2) To evaluate the role of POPIs in promoting and nurturing OFPOs
- 3) To study the organisational structure and governance aspects of OFPOs
- 4) To understand the services offered by OFPOs to its members and examine the extent of improvement brought about by the OFPOs in providing access to critical inputs – technology, skill upgradation, finance and market – to its members
- 5) To analyse the business planning process of OFPOs (product designs, production systems, technology adoption) and the initiatives for ensuring quality of products, business diversification and product differentiation.
- 6) To examine the marketing methods and strategies of OFPOs and understand the problems and prospects in marketing of products as well as the extent of competition from other players.
- 7) To identify the enabling and constraining factors impacting the performance of OFPOs and to suggest plausible solutions to overcome the problems of OFPOs/ improve the existing arrangements.

1.6 Study Area, Data and Methodology

Considering the relatively higher presence of OFPOs in Karnataka (5) and Tamil Nadu (4), these two states have been selected for the present study, covering eight OFPOs (four each), with a view to understanding the factors determining the success or otherwise of OFPOs. The details of OFPOs covered are given in Table – 2.

Table – 2: Details of POPIs and OFPOs covered in the study

Sl.No.	Name of the POPI	Name of the OFPO	District	Products
Tamil Nadu				
1	VAPS	Green Fem PCL	Madurai	Ecofriendly jute products
2	Institute of Entrepreneurship Development (IED)	Kanjamalai Textile Weaver PCL	Salem	Cotton Sarees
3	WOMAN	Vastra PCL	Virudhunagar	Marriage Sarees
4	READS	Navasaarigai Weavers PCL	Tiruvannamalai	Silk Sarees
Karnataka				
5	Charkha Mahila Vividhodesha Kaigarika Sahkara Sangha Niyamita	Uttariya PCL	Shivmogga	Natural dyeing & fabric printing
6	Deshpande Foundation	Santh Haralayya PCL	Belgaum	Kolhapuri chappal
7	IDF SHG Federation	Sakhi Saphalya PCL	Dharwad	Kasuti Work on fabric
8	Deshpande Foundation	Swavalambi Sakhi PCL	Dharwad	Aari embroidery products

The study was undertaken by the team during March & April 2023 through a combination of methods viz., Focus Group Discussions, interactions and interviews with representatives of POPIs, Board of Directors (BOD), CEO and members of OFPOs. Structured questionnaires were deployed for eliciting responses from specific groups of respondents (Annexure I – V).

1.7 Structure of the report

This report aims to provide an overview of OFPOs in India, their achievements and challenges, and the way forward for their promotion and nurturing, with reference to the OFPOs of Tamil Nadu and Karnataka. The inferences made in the report are based on primary data from the key functionaries of OFPOs and POPIs as well as the information contained in the progress reports furnished by them to Regional Offices of NABARD. The report is structured as follows:

Chapter 1: Introduction - This chapter provides the background, need, objectives and methodology of the study.

Chapter 2: Profile of OFPOs - This chapter presents the features of each of the eight OFPOs covered in the study.

Chapter 3: Analysis and Findings - This chapter synthesises the findings from the case studies of each OFPO, and identifies the common themes, gaps, and opportunities for producer organisations in the non-farm sector in India.

Chapter 4: Summary and Implications for Policy - This chapter provides a summary of the study along with some recommendations for policy makers and practitioners on how to promote and nurture POs in the non-farm sector in India and concludes the report.

Chapter 2

Profile of OFPOs

This chapter presents an overview of the profile of the eight OFPOs covered in the study, based on the information and data gathered through various means and made available by the POPI and OFPO during the study.

A. OFPOs of Tamil Nadu

2.1 Name of the OFPO : Kanjamalai Textile Weavers Producer Company Ltd.

Location : Elampillai, Salem

Products : Sarees viz., Kota cotton sarees (85% blend), Fancy sarees (silk cotton/soft silk), Wedding/Bridal saree (Tana silk)

Details of Registration : Registered on 25th July 2017 (CIN - U01100TZ2017PTC0292)

Membership : 500 weavers as members (200(2017-18)+150(2018-19)+150(2019-20))

Authorised Share Capital: Rs. 20 lakh

Paid-up Share Capital of Rs. 12.50 lakh (10000x10+2500x490)

Nature of support : Input supply and Marketing

Nature of Sales : Buyers/showroom -60%, Institutional 30% (Bulk 90%, retail 10%)

Details of the POPI : IED, Dharmapuri. Could not feel their presence. OFPO and POPI are not in good terms. Each blaming the other on misutilization.

CEO : Shri. S. Dinesh Kumar

BoD : Represented by 10 (9 men +1 woman)

Employees : CEO + 2 employees

Board Meetings are conducted regular (Monthly interval)

Business of the OFPO :

Year	Sales	Profit
2018-19	Rs. 172 lakh	Rs. 1.13 lakh
2019-20	Rs. 192 lakh	Rs. 1.53 lakh
2020-21	Rs. 49 lakh	Rs. 0.40 lakh
2021-22	Rs. 56 lakh	Rs. 0.46 lakh
2022-23	Rs. 36 lakh	Rs. 0.46 lakh (Projected)

Major achievements:

- a. Successful in bringing 170 weavers from the clutches of Master weavers.
- b. Mobilized 500 members in 4 years.
- c. Most of the OFPOs promoted in TN were brought to this OFPO for capacity building/demonstration.
- d. Mobilized 140 buyers in 3 years.

Kanjamalai Textile Weavers Producer Co. Ltd. has already supplied its products to Textile Valley and the Defence Canteen, Ordnance Factory, Wellington, apart from regular buyers. Nevertheless, forging of newer marketing avenues is essential for long-term survival of any business entity, hence, providing the OFPO with bulk orders, at this juncture, will facilitate continuous employment to the weaver families and ensure sustainability of the OFPO.

Infrastructure: Rented Godown cum Office at Kanjamalai. Equipped with two PCs (one each for design and Sales)

Issue: Since inception, Kanjamalai Textile WPC Ltd. has been building its business consistently and reached a turnover of close to Rs. 2 crores during 2019-20. However, due to the pandemic, the OFPO faced setbacks which affected their cash-flow and profitability. During the COVID though the OFPO was producing, on account of lockdown imposed, the sales have been worst affected and the OFPO was not in a position to sustain production and payment of wages to members. The OFPO could not service the interest and loan installments to the lender (NABFINS). Hence, the loan was also not restructured and further WC support was denied. This has affected the performance of the OFPO and they were forced to stop further production and the members could not be serviced by them. Presently they are working with 10 looms with 27 members. (Prior to COVID they were working with 73 looms with a proposal to increase to 143 looms. Serving 100+ designers including 500 members)

Present need: Revival plan with restructuring of loan facilities and fresh WC loans.

The CEO is Shri Dinesh Kumar (Contact No. 7200975487 and 9842975487).

2.2 Name of the OFPO : Vastra Weaver's Producer Company, Aruppukottai

Name of the POPI : WOMAN (Women Organisation for Mass Action), 6/654/2, Pandiyan street, Lakshmi Nagar, Virudhunagar – 626 001.

Brief note on POPI : Registered. FCRA No: 076110018. PAN—AAATWo486A. Darpan Unique ID: TN/2017/0150417. WOMAN was started in 1999. The POPI has got a legally constituted Board of Directors. The Board meets half yearly and provides its guidance in all activities. The POPI has credit linked around 350 SHGs with financial outlay of Rs.17 crore.

Location of the OPFO : Aruppukottai Taluk of Virudhunagar District.

NABARD Approval : In-principle approval/ Sanction - 07.10.2021. The Business Plan for the formation of OFPO, DPR and DSR were submitted to RO on 21 February 2022.

Total shareholders proposed during the project period of three years: 700

Cluster profile: There is average of 50,000 families in the rural areas around Aruppukottai. Of those, two-third of families is engaged in weaving. There are 70% of weavers working in power-loom sector and others are working in handloom sector.

Products: Cotton Sarees and Silk Saree (Banana Silk)

Details of Regn: Registered on 12th July 2022 (CIN: U01100TN2022PTC153939)
Membership: At present 10+100 weavers. Identified additional 363 members

Authorised Share Capital: Rs. 15 lakh

Paid-up Share Capital of Rs. 2.20 lakh

Nature of support: Input supply and Marketing

Nature of Sales: Sale through SHG members - 75%, Institutional 25% (Sales also happens through Instagram and Mystore/ONDC)

Weaving charges: Rs. 180-350 per saree depending on design/ material.

Sales commission: Rs. 50 per saree.

BoD: Represented by 10 (9+1)

Employees: CEO + 2 employees (Facilitator and system operator)

Board Meetings are conducted regular (Monthly interval)

Infrastructure: The OFPO is operating in a rented premises (800 Sqft) Rs. 4000 is paid towards rent. PCs are used for sales and accounts.

Business:

NABARD released 1st instalment: Sept 2022

Sales during 2022-23 – 12 lakh. Sales expected during 2023-24 – 24 lakh

Major Achievements:

- Members income increased. Additional income of 50-100%. (Past 8000-10000 per month and present 15000-20000 per loom)
- Developed own brand viz., Vastra
- POPI helps in bank linkage of members and SHGs. Banks supporting – ICICI and UBI.

Potentials:

- OFPO identified CFC 1 1/2 Acre land for enhancing the capacity
- Plan to introduce 50 power looms and 20 hand looms in CFC along with other support infrastructure including design card punching.
- Dying/colouring, QC facility and Sales outlet proposed.
- GI registration proposed to boost the sale.

- Plan to increase institutional sale to enhance the income

2.3 Name of the OFPO: Green Fem producer Company Limited, Madurai District, Tamil Nadu

Date of Sanction : 25/01/2019

Date of registration : 01.01.2020

Proposed Membership : 350 (present members mobilised:- 300)

Products : Eco friendly products. Jute and paper Bags. Millet based food and Handicrafts.

Details of the NGO : Voluntary Association For Peoples Service- VAPS, No. 39, Besant Road, Chokkikulam, Madurai-625002.

Nature of Business : All women OFPO. Operates under Hub and Spokes model around Madurai. 6 Spokes (one in each taluk)/ production centres.

Name of the CEO : Sri. Prabhakaran

Name of the Chairperson : Ilamathy

Regular Board Meetings. Accounting and audit.

Authorised share capital: Rs. 10 lakh

Paid up share capital : 2,50,000 (250*1000)

Infrastructure : OFPO is operating in rented premises. 1000 Sqft area. Use computers for sales and accounting. Has small RM Bank and Store

Marketing/Sales : Institutional 60%, Shops 20% and Online 20%.

Business parameters : Sales during

- 2019-20 Rs. 1.30 lakh
- 2020-21 Rs. 9.18 lakh
- 2021-22 Rs. 15.23 lakh
- 20222023 Rs. 31 lakh (Projected)

Major Achievements :

- Members feel connected and happy to work with OFPO. They feel that they could get their identity, occupation and empowered,
- BoDs are acting as per the needs of OFPO
- Flexible working atmosphere suits women to balance their household and occupational aspirations
- Decent earning without compromising personal life (supporting family and kids)

Issues/ expectations:

- a. CFC with better infrastructure will take the OFPO to next level
- b. RM Bank and Store is expected to minimise the RM cost and flexibility in production levels. (Saving in transport)
- c. Period of hand holding support should be extended upto 5 years



2.4 Name of the OFPO: Navasaarigai Silk Handloom Weavers Producer Company Ltd.

Formation and nurturing of Intensive Major OFPO (300 members>) on Handloom Silk weavers

Project location: Chetpet, Tiruvannamalai District

Name of the POPI: Rural Education and Development Society (READS)

Grant from NABARD: 94.31 Lakh (Rupees Ninety Four Lakh Thirty One Thousand only)

Weaving unit inauguration was on 14 February 2022

Name of the CEO: E Karthik.

Business model: Cluster of weavers (Devikapuram, Nedungundram and Kolathur clusters)

Products: Silk sarees, dhoties, kid's wear and Silk fabric

Regular Board Meetings. Accounting and audit.

Authorised share capital: Rs. 15 lakh

Paid up share capital:- 3 lakh

Marketing/Sales: Expos - 40%, Word of Mouth & OFPO Shops - 35% and Online 25%.

Sales: 2021-22 - Rs. 17.75 lakh, 2022-23: Rs. 19.41 lakh

Marketing methods: Expos – 40%, Word of mouth – 30% and others including online -30%.

Infrastructure available: 1200 sq.ft land leased for 15 years for CFC with 4 looms (3 Dobby and 1 Bridal)

Major Achievements :

- a. No POPI control on the OFPO
- b. Members manage the show under POPI's guidance
- c. Mobilized 336 members in less than 2 years
- d. Product traceability & Handloom Mark
- e. Registered with online platforms like ONDC, Amazon, Instagram and Zoho
- f. Tie-up with Central Silk Board and Ministry of Textiles for supporting members
- g. Weavers card – epehachan issued to members
- h. Startup Registration with GoI
- i. Promoted their own brand, Navasaarigai
- j. Welfare measures through CSR interventions
- k. 10-40% additional income to the member weavers

Expectation :

- a. Master designer Training for design card punching
- b. Training for the BoD
- c. Expansion of the CFC with RMS
- d. Promotion of handloom for silk as it gives better finish



Navasarigai PCL, Thiruvannamalai



B. OFPOs of Karnataka

2.5 Name of the OFPO: Uttariya Producer Company Ltd., Shamjeevi Ashram, Honnessara, Sagar Taluk, Shimoga Dist.

Name of the POPI: Charaka Mahila Udyog Cooperative Society, Honnesara, Sagara Shimoga Karnataka.

Brief note on POPI: Charaka Mahila Udyog Cooperative Society is a women's multipurpose industrial co-operative society situated at the Bhimanakone village, in Shivamogha District, Karnataka. Shramajeevi Ashrama is a common facility center for Charaka women co-op society run by a Kavi Kavya trust, which trains women in weaving and production of clothing and accessories. The POPI has introduced natural dyeing on cloths. The POPI provide yarn to its members for weaving. It collects the clothe after weaving and designs in their manufacturing facility. DESI is a market responsible for marketing most of Charaka's products. Though there were two separate agencies – POPI and OFPO – there were no distinction in terms of membership and operations. Most of the members of both POPI and OFPO were common. Even, the CEO of POPI (Charaka Mahila Udyog Cooperative Society) is also acting as the CEO of the OFPO.

Location of the OPFO: Shramajeevi Ashram, Sagara Taluk, Shivamogga District.

Details of Regn: Registered on 18th September 2021 (CIN: U17299KA2021PTC151972)

Details of sanction and release of grant by NABARD:

- Date of in-principle approval – 11th March 2020
- Date of sanction of grant assistance: 4th May 2020
- Amount sanctioned: Rs. 84.66 lakh
- Amount released: Rs.20.88 lakh (as on 31 March 2023)
- Amount utilised: Rs.10.19 lakh

Cluster profile: The POPI has identified the existing clusters involved in handloom weaving and cloth making in Shivamogga district, with the idea of providing employment to large number of weavers and offering simple and affordable handloom sarees, fabrics and clothing to wider consumer base. However, as the POPI could not mobilise the expected number of weavers from the identified clusters, it proposes to expand the coverage to eight districts of Karnataka, where similar artisans/weavers are present. There are close to 300 women who are involved right from the procurement of yarn, dyeing, reeling, weaving, printing, embroidery, tailoring, inventory management and quality control.

Activity: Handloom fabric production

Products: Naturally-dyed and printed cotton cloth, sarees and dress materials.

Membership: As against the total membership proposed at 700, over a period of three years, the POPI has mobilised 290 members (255 women and 35 men; 260 workers and 30 weavers) as on 31 March 2023 and identified an additional 363 members. Though the OFPO was promoted

in Shivamogga district, the POPI has plans to expand the membership by mobilising members from other districts viz., Gadag and Haveri districts.

Authorised Share Capital: Rs. 10 lakh

Paid-up Share Capital: Rs. 2.52 lakh

BoD: Represented by 10 members (6 men & 4 women). The BoD were mostly from the POPI and subject matter specialists. We could not interact with any member Director. The POPI explained that as there were no members coming forward to represent the Board, the POPI selected BoDs based on experience, knowledge and capability. Board Meetings are conducted once in three months (last meeting held in March 2023). The last AGM was held in September 2022.

Employees: There were no separate employees observed under the roll of the OFPO. The CEO and staff of the POPI managed the affairs of the OFPO also.

Infrastructure: The OFPO is operating in the rented premises owned by Charaka. There is a CFC having weaving, dyeing, printing, design-making and tailoring. The infrastructure comprises of a design studio also.

The office of the OFPO is fully-furnished with one PC.

Nature of support by POPI: Wage employment to 260 members. The raw materials required for all the activities are sourced by the POPI.

Average Production: 30000 m of cloth per month

Nature of Sales: Sale of naturally-dyed products under Charaka's brand viz., Desi. Seven major outlets have been identified by the POPI, viz., Bengaluru, Dharwad, Mysuru, Shivamogga, Mangaluru, Sagar and Heggade.

Monthly turnover of OFPO: Rs. 7 lakh

Annual turnover projected for FY2024: Rs.84 lakh

Average earning per member: Rs.3000 per month.

Other benefits to members: Creche facilities for children, subsidised food, health insurance and annual bonus.

Major Achievements:

- Provided regular wage employment to 260 women in the cluster
- Developed expertise in natural-dyeing and printing
- Developed DESI brand for marketing of naturally-dyed fabrics
- Received assistance under SFURTI scheme of GoI to set up CFC
- Procurement of yarn at subsidised rates
- Collaboration with Souharda Cooperative Society for meeting the credit requirements of members

- Kavi Kave Trust, the cultural wing of the POPI also mobilised CSR support eg. Titan CSR Trust sponsored the Design Intervention Project.

Potential:

- Separation of activities of OFPO from that of the POPI
- Membership and accounting of OFPO need to be segregated and maintained separately.
- Operationalising the CFC
- Marketing facilities/tie-up facilities for the OFPO

Expectation:

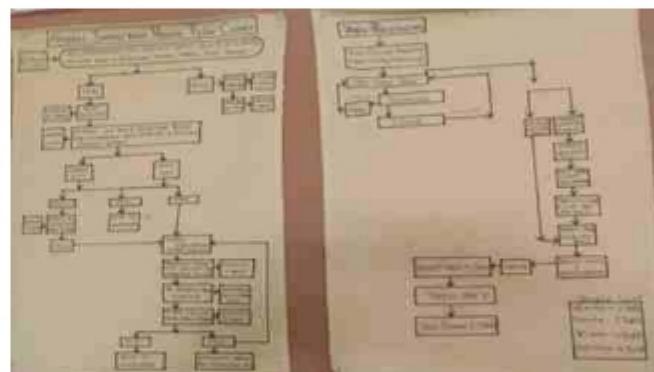
- Approval for expanding area of operation to other districts.

Other observations:

Though it was reported that baseline survey and diagnostic study were done and Business Plan prepared, the CEO reported that they are not having such documents. He also indicated that NABARD should prepare the Business Plan and handhold the OFPO.



Fabric production area at Uttariya PCL



Fabric inspection process flow Chart of Uttariya PCL



Block Designs displayed at Uttariya PCL

2.6 Name of the OFPO: Santh Haralayya Leather Producer Company Ltd., Madbhavi, Taluk Athani, Belgaum District

Name of the POPI: Deshpande Foundation (now Deshpande Startups), Hubbali, Karnataka.

Brief note on POPI: The POPI viz., Deshpande Foundation (now Deshpande Startups) was formed in to address the grass-root level problems and challenges faced by people in rural and semi-urban areas of India. The POPI focusses on inclusive and economical solutions in the areas of agriculture, micro-entrepreneurship, skilling and start-ups for rural transformation. The major areas of operation include Karnataka, Maharashtra and Telangana. Deshpande Foundation provides skill training for the women in semi-urban areas of Dharwad and to translate the skills to business, the POPI promoted the OFPO with a hub and spoke model, enabling centralized procurement and marketing and decentralized production, providing ample opportunities for rural employment. They provide necessary skill training, capacity building and handholding support for sourcing raw marketing and collective marketing to the members. POPI also facilitates networking with various stakeholders for sustainable solutions. The POPI has promoted two OFPOs viz., Santh Haralayya Leather Producer Company Ltd. in Belgaum district and Swavalambi Sakhi Producer Company Ltd. in Dharwad district.

Location of the OPFO: Madbhavi, Taluk Athani, Belgaum District

Date of incorporation: 18th May 2021

Registration No.: U19113KA2021PTC147579

Details of sanction and release of grant by NABARD:

- Date of sanction of grant assistance: 10th August 2021
- Amount sanctioned: Rs. 84.54 lakh
- Amount released: Rs.32.87 lakh (as on 31 March 2023)
- Amount utilised: Rs.56.08 lakh

Cluster profile: There are around 700 leather artisans in the locality who are undertaking production of leather products in the unorganised sector. They supply leather chappals to the traders of Kolhapur. Based on the potential and the artisans available, the POPI has identified the cluster for formation of OFPO. At present, 211 members have joined the OFPO and there is a potential to increase the membership to 700. Standardisation and marketing are the major challenges faced by the members at present.

Activity: Kolhapuri Chappals and leather accessories

Membership: 211 (109 women and 102 men). Scope for 600-700 members

Authorised Share Capital: Rs. 10 lakh

Paid-up Share Capital of Rs. 7.00 lakh

BoD: Represented by 10 (5 men+5 women). Board Meetings are conducted at monthly intervals.

Employees: 4 - CEO, OFPO Facilitator (both deputed by POPI) and 2 production supervisors.

Infrastructure: The OFPO is operating in a rented premises (rent - Rs.10000 per month). The office of the OFPO is minimally furnished with computerised accounting. The CFC has machineries, tools and equipments required for cutting, design and making of leather chappals.

Nature of support: Training & capacity building, design development, business facilitation and marketing. Raw material is sourced by the OFPO (from Kolhapur, Ambur, Miraj and Malgaon) and supplied to the members. Machinery has been installed in the CFC to provide facilities to members to undertake manufacturing activity. Around 70% of the members use the facilities provided at the CFC.

Production charges: Rs. 150-1000 per pair depending on size, design and work.

Sale price per pair: Rs.180 – 1200 per pair

Margin per pair: 15-20% of sale price

Business during FY2023: Rs.13.71 lakh

Projections :

- Monthly turnover projected for FY24: 2000 pairs (Rs.10 lakh)
- FY2024: Rs.1.50 crore (30000 pairs)
- FY2025: Rs.2.50 crore
- FY2026: Rs.4 crore

Nature of Sales:

- Mainly by supplying to wholesale markets and institutions.
- Institutional (B2B) marketing (by visiting corporates with sample for approval and receiving orders). LIDKAR placed order for Rs.20 lakh
- Online marketing through Amazon & Flipkart (Online sales worth Rs.75000/- done upto March 2023).
- Initiated retail marketing recently and registered in ONDC in March 2023.
- Plans to start rural mart for retail sale.

Major Achievements:

- Intensive skill enhancement of members and exposure visit
- Provision of common facilities to members for undertaking various processes involved in chappal manufacturing like cutting, pressing, embossing at nominal charges.
- Employment generation and steady income for members, particularly women – enabling them to generate a monthly income of Rs.7500 per member & Rs.20000 to 30000 per household.

- Social recognition to members and instilling team spirit among members
- Direct and institutional marketing tie-ups established (LIDKAR)
- Exposure to wider markets by facilitating participation in exhibitions and melas (Vijayawada, Surajkund etc.)
- Registration in ONDC
- GI tagged product; developing own brand of Kolhapuri chappals
- Opened bank accounts for all members (KVGB) and all transactions to members made through DBT.
- More than 80% of members enrolled under PMJJBY & PMSBY

Potentials:

- Technology upgradation to bring in higher level of standardisation and quality in products
- Higher institutional and online sales to enhance the income – projects eight-fold increase in annual turnover during FY2024
- Expansion of existing CFC facilities - government land admeasuring 5 acre has been identified nearby for setting up a full-fledged infrastructure with CFC for the OFPO.
- Mobilisation of more members and collection of remaining share capital
- Higher involvement of BODs in getting more and more orders
- Further skill enhancement of women artisans for undertaking complete value chain activities.

Expectation:

- Higher level of mechanization and technology upgradation for product standardization, value addition and quality
- Development of new designs
- Brand building
- Proactive support to OFPO from industry specific bodies
- More training to BOD from NABARD/BIRD
- Institutional credit linkage



Members working at the Common Facility Centre
at Santh Harlayya Leather PCL, Belagavi



With the BoD, CEO and members of
Santh Harlayya PCL

2.7 Name of the OFPO: Swavalambi Sakhi Producer Company Ltd., Dharwad District

Name of the POPI: Deshpande Foundation (now Deshpande Startups), Hubbali, Karnataka.

Brief note on POPI: The POPI viz., Deshpande Foundation (now Deshpande Startups) was formed in to address the grass-root level problems and challenges faced by people in rural and semi-urban areas of India. The POPI focusses on inclusive and economical solutions in the areas of agriculture, micro-entrepreneurship, skilling and start-ups for rural transformation. The major areas of operation include Karnataka, Maharashtra and Telangana. Deshpande Foundation provides skill training for the women in semi-urban areas of Dharwad and to translate the skills to business, the POPI promoted the OFPO with a hub and spoke model, enabling centralized procurement and marketing and decentralized production, providing ample opportunities for rural employment. They provide necessary skill training, capacity building and handholding support for sourcing raw marketing and collective marketing to the members. POPI also facilitates networking with various stakeholders for sustainable solutions. The POPI has promoted two OFPOs viz., Santh Haralayya Leather Producer Company Ltd. in Belgaum district and Swavalambi Sakhi Producer Company Ltd. in Dharwad district.

Location of the OPFO: Gokul Road, Near Airport, Hubli

Date of incorporation: 09th Oct. 2020

Registration No.: U01100KA2020PTC139552

Details of sanction and release of grant by NABARD:

- Date of sanction of grant assistance: 06th December 2022
- **Amount sanctioned:** Rs. 49.97 lakh
- **Amount utilised:** Rs. 28.61 lakh (as on 31 March 2023)

Cluster profile: The POPI had earlier extended skill development training in embroidery (Aari work) to several women SHG members in Dharwad under various programmes and schemes such as BIZ Sakhi (UNDP project); MEDP and LEDP. The OFPO has been formed with the trained SHG members with a view to providing better livelihood and income opportunities to them by way of systematic business planning and market linkages.

Activity: Aari work - hand embroidery

Products: Designer cloth bags, ethnic wears, wall frames.

Membership: 207 (all women OFPO)

Authorised Share Capital: Rs. 15 lakh

Paid-up Share Capital of Rs. 5.50 lakh

BoD: Represented by 10 women. Board Meetings are conducted at monthly intervals.

Employees: CEO and 5 employees (all deputed by POPI).

Infrastructure: The regd. office of the OFPO is at Hubli, in the premises of the POPI. The OFPO is now setting up separate office at Navnagra village with six production units in rented premises (with a total monthly rental of Rs 54000/- including shops). The office of the OFPO is minimally furnished with computerised accounting. The infrastructure comprises of tables, chairs, one computer for billing; one digital payment software - POS, speaker and printing machines. The six production units (headed by unit manager) act as CFCs for the respective members of each unit.

Nature of support: Training & capacity building, design development, business facilitation, branding and marketing. Six production units have been set up at various locations based on the convenience of members. All the members use the facilities at the units for production activities.

- Five employees of the POPI look after various aspects of OFPO
- Location-wise units have been formed with joint account for financial transactions.
- The unit heads identified from among the OFPO members act as local resource persons for the six units.
- SCOPE NGO at Dharwad extended two days training to members.
- OFPO is yet to streamline processes for regular supply of raw materials from nearby places; the unit heads are now responsible for arranging and procuring raw materials (cloth, threads, beads, khana cloth) with adequate handholding by POPI. High cost of raw materials is a constraint; so units are working on identifying fixed vendors.

Sale price: Rs. 100-1900 per unit depending on product and specific features.

- Price of product is fixed by POPI based on cost of production with a margin of 10% for the unit and 10% for the OFPO.
- Production cost: 50-60% of sales price
- Marketing cost: 20% of sales price

Margin per unit: 20% of sale price (10% for SHG unit & 10% for OFPO)

Monthly business volume: Rs.4-5 lakh per month (sales)

Annual turnover (FY2023): Rs.34 lakh

Turnover is high in airport shop - daily sales ave. Rs.15000/- ; authentic Ktka - Rs.6000-7000

daily sales; Rs.1.5 lakh per month

Projection for FY2024: Rs.1.50 crore

Nature of Sales:

- Both online & offline marketing
- Direct marketing through retail outlet under the brand of 'Authentic Karnataka' with an average daily sale of Rs.6000-7000/- and monthly sales of Rs.1.50 lakh.
- 'AVSAR' retail outlet at Hubli airport has a high turnover, with an average daily sale of Rs.15000/-.
- Streamlining own online marketing through Authentic Karnataka.
- Streamlining manufacturing capacity at the unit level to match demand.

Major Achievements and best practices

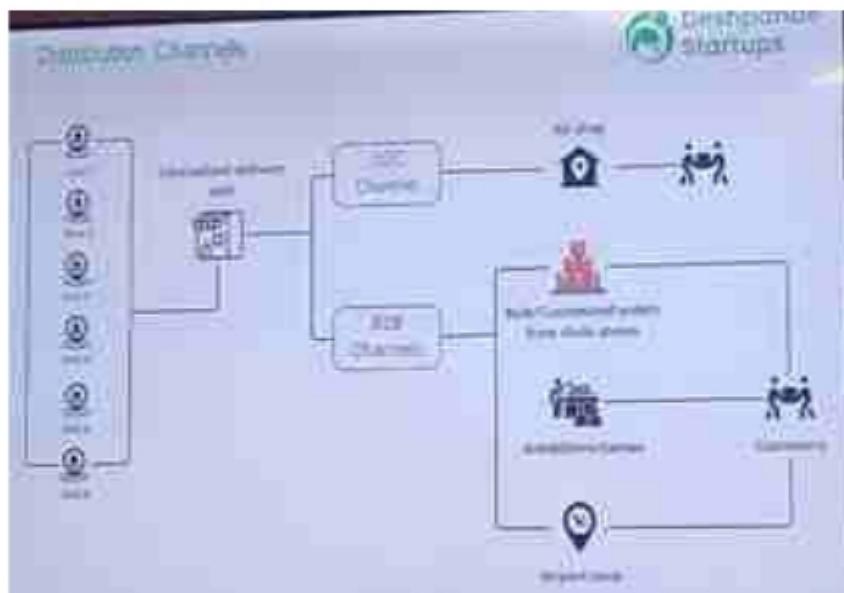
- Intensive skill enhancement of members and exposure visit
- Adequate backward linkage support to members - Provision of common facilities at closer locations to the members for undertaking production activities (unit level CFCs)
- Provided tie-up support to members under various schemes, eg. Artisan Card to all 10 Directors, applications given in respect of all members; facilities under artisan card - support for training, marketing exhibitions etc.
- Better income to members – ensures an average monthly income of Rs.10000 per member (incremental income of around Rs.6000-7000 per month per member)
- Better risk mitigation mechanisms by way of group approach in production & marketing
- Bank accounts for all members; all payments through DBT
- Monthly review meetings of all members at POPI; unit-wise heads make presentation on their targets, achievement and future strategies; helps instil competition among the six units to excel better.

Potentials:

- Better standardisation of products
- Onboarding to ONDC platform

Expectation:

- Support for more effective forward linkages – efficient marketing tie-ups – eg. tie-ups with Govt. Depts., institutions and agencies for more orders, Govt procurement of OFPO products through GEM portal etc.
- Support for cost-effective production & marketing eg. Vehicle purchase for procurement and marketing
- Cheaper sources of raw material
- Institutional credit linkage & affordable credit



Swavalambi Sakhi Producer Company Ltd., Dharwad



Interviewing the members of Swavalambi Sakhi PCL, Dharwad at one of the spokes



Authentic Karnataka - Outlet of Swavalambi Sakhi PCL at Dharwad



AVSAR Outlet of Swavalambi Sakhi PCL at Hubli Airport

2.8 Name of the OFPO: Sakhi Saphalya Producer Company Ltd., Dharwad District

Sakhi Saphalya PCL is a crafts producer company established in 2020 with support from NABARD and managed by women artisans from rural areas of Dharwad. The company works with 302 women kasuti artisans from villages in and around Dharwad who were trained with an aim to enhance their earning potential. This was also an effort to revive kasuti which was on the verge of disappearing. They were trained and provided with work enabling them to adopt Kasuti craft as a livelihood for designing traditional sarees, the products range from clothing to home decor.

Name of the POPI: Initiatives for Development Foundation (IDF), IDF SHG Federation, Keshav Nagar, Dharwad, Karnataka.

Brief note on POPI: IDF aims to achieve its objectives through holistic approaches involving social mobilization, financial inclusion of the excluded sections and, promotion of prudent financial practices and sustainable livelihoods. It promotes sustainable agriculture and natural resource management as means of livelihood improvement among rural poor. The POPI has promoted the OFPO viz., Sakhi Saphalya Producer Company Ltd. in Dharwad district supporting kasuti artisans.

Location of the OPFO: Keshav Nagar, Dharwad, Karnataka.

Date of incorporation: 11th December 2020

Registration No.: U01100KA2020PTC142130

Details of sanction and release of grant by NABARD:

- Date of sanction of grant assistance: 04-05-2020
- Amount sanctioned: Rs. 86.66 lakh
- Amount released: Rs.42.59 lakh (as on 31 March 2023)
- Amount utilised: Rs. 43.06 lakh

Cluster profile: The POPI has been involved in the promotion of SHGs and training them in various income generation activities like tailoring and embroidery, in the area, mostly comprising of BPL households. Considering the skill developed among the women SHG members and the potential for expansion of their business, the POPI has identified the cluster for formation of OFPO. At present, 465 members have joined the OFPO and there is a potential to increase the membership to 500.

‘Kasuti’ is a hand embroidery that is native to Dharwad. It has geometrical patterns representing architecture, flora fauna etc. Kasuti has a unique feature, the design looks similar on the front and back of the fabric. Hence, this could be used in reversible sarees and stoles. Kasuti embroidery has been given a GI tag as well.

Activity: Kasuthi, Gudarpatti and Quilts

Membership: 465 (all women SHG members, mostly BPL); targets a membership of 500.

Authorised Share Capital: Rs. 10 lakh

Paid-up Share Capital of Rs. 4.65 lakh

BoD: 5 women. Board of Directors are mostly social workers, artists and experts in embroidery (not elected from among the members). Board Meetings are conducted at quarterly intervals.

Employees: 4 including the CEO. The Chairperson of POPI acts as the CEO of the OFPO. The other employees managing the accounts and field level operations of the OFPO also belong to the POPI. Majority of the OFPO members are either illiterate or with very low levels of education, and hence not capable of managing the affairs of the OFPO independently.

Infrastructure: The office cum CFC of the OFPO is operating in rented premises (rent - Rs.12000 per month). The office of the OFPO is furnished with office furniture, shelves, computer, printers and laptops. The accounts and MIS is fully computerised. The CFC has facilities for fabric storage (Rs. 5 lakh worth of inventory) and fabric dyeing activities. However, it was observed that the CFC was locked and not in use at the time of visit by the study team.

Nature of support: Training & capacity building, design development, business facilitation and marketing. OFPO undertakes both job work and own production. Raw material (fabric and thread) is sourced by the POPI from weavers of Bagalkot, Guledgudda and through Charaka society (Shimoga) and supplied to the OFPO members. POPI has also evolved its own brand viz., 'Kai Krafts' under which the own products of the OFPO are sold by word of mouth and social media. Around 70% of the work of the OFPO is based on job orders received by the POPI from market players like leading textile brands who supply the raw material (fabric) also. Majority of the members undertake production activities from their homes, whereas a few members use the facilities provided at the CFC.

Production charges: Varying depending on the intricacy, nature and item of work.

Sale price: Varying range. Product pricing is based on the no. of artisans involved in the work, intricacy of work and time taken for each item of work.

Margin: 20% of sale price for OFPO (for both job work and own work)

Monthly turnover: Rs.70000/-

Annual Business turnover

- **FY2021:** Rs.2.01 lakh
- **FY2022:** Rs.2.23 lakh
- **FY2023:** Rs.8.12 lakh

Projections:

- **FY2024:** Rs.15 lakh

Nature of Sales:

- Major production of OFPO is based on job-works
- Own production of OFPO is sold directly to individual customers by word of mouth and social media under the brand Kai Kraft.
- Yet to commence retail marketing

Major Achievements:

- Intensive skill enhancement of members and exposure visit to other OFPOs

- Provision of common facilities and work orders to members for undertaking production activities
- Engaging the members in production activities round the year and providing assured income to members
- Improvement in the standard of living of the households of members
- Enrolment of members under social security schemes under PMJJBY & PMSBY
- Provision of artisan card and insurance card to all members
- Collaboration with other OFPOs like Santh Haralayya PCL (for Kasuti work on Kolhapuri chappals), Uttariya PCL (for natural dyed fabric procurement)
- Launched website viz., sakhisaphalya.in for Kasuti Crafts

Potentials:

- Plans to secure GI tag for Dharwad Kasuti work
- Expansion of BoD with more members from OFPO.
- Mobilisation of membership of OFPO

Expectation:

- Better financial management which requires more training to OFPO
- Needs to develop better marketing strategies
- Support from Commissionerate of Handicrafts for design and technical development and DIC to support exhibitions
- Evolving strategies for affordable product pricing and product diversification



Kasuti Designs displayed & a member at work at Sakhi Saphalya PCL

Chapter 3

Findings of the Study

3.1 Challenges in formation of OFPOs

3.1.1 Kanjamalai PCL

Major issue observed in Kanjanmalai PCL was with regard to bringing the weavers out of the clutches of Master Weavers. Though mobilizing membership was challenging, the OFPO could mobilize upto 500 members during the initial 3 years. Though, the initial success of the OFPO helped in mobilizing the membership, the OFPO faced problems in retaining them as it suffered capital crisis during the post-COVID scenario. The OFPO was not able to accrue cash required for operation on account of COVID imposed lock down, leading to default by the OFPOs and the resultant inability to access further finance as the bankers could not come forward with WC support. Hence, they were not able to retain the members and most of them returned to the master weavers.

3.1.2 Green Fem PCL, Madurai

Despite the initial challenges in member mobilization, the POPI could mobilize 250 members in the OFPO during the first 3 years and plans to further increase it by 100 more shortly. Capacity building by POPI and demonstration and exposure visits helped them in mobilizing membership. Due to the proactive nature of the POPI and the BoD of the OFPO, the OFPO was able to get business engagements to their members even during the pandemic period. This helped them in retention of the members and business expansion.

3.1.3 Vastra Weavers Producer Company Ltd., Aruppukottai

The OFPO is located in the weavers' cluster which is in the business of manufacturing cotton sarees. The OFPO could mobilize 483 members during the period of first two years. Marketing initiative of the OFPO helped them in aggregating the weaver members. Further the OFPO was able to improve the members earning by nearly 50% level and this developed confidence among the members to come forward and join the OFPO. Availability of working capital finance and CFC will improve the performance of the OFPO.

3.1.4 Navasarigai Silk Handloom Producer Company, Chetpat

The OFPO is located near Arni Silk saree cluster in Thiruvannamali District. During the initial two years of formation of the OFPO, they could mobilize 336 members. Transparency, marketing support and technical intervention of the OFPO to its members helped in mobilizing and retaining the membership.

One of the major challenges faced by the OFPOs of Tamil Nadu is mobilizing the share capital amount from their members. They used to collect them in installments based on the sale of the member's produce. Availability of working capital finance and provision of CFC are expected to improve the viability and performance of the OFPO.

3.1.5 Santh Haralayya Leather Producer Company Ltd., Madbhavi

Despite having around 4000 artisans (700 families) involved in the activity in the village, only 211 members could so far be brought into the fold of OFPO, as compared to the approved membership of 300. In spite of severe exploitation of leather artisans of Madabhavi village in Belgaum by master craftsmen/traders of Kolhapuri chappal, member mobilisation was found to be a daunting task in Santh Haralayya Leather PCL, particularly on account of the low literacy & awareness levels among the leather artisans. The POPI is making all out efforts to convince the prospective artisans about the benefits of aggregation in terms of better realization, access to technology, markets and expanding the scale of operation.

3.1.6 Sakhi Saphalya Crafts Producer Company Ltd., Dharwad

Sakhi Saphalya Crafts PCL (promoted by IDF) provided livelihood opportunities for women in semi-urban areas by way of skilling, self-employment & market linkages. Hence member mobilisation was not observed to be a constraint. The OPFO has 465 members who have contributed to the share capital of the company. Availability of working capital finance will improve the capacity utilization and viability of the OFPO.

3.1.7 Uttariya Producer Company Ltd., Shivamogga

In Uthariya PCL, Shimoga, Karnataka, as there was fewer genuine weavers in the locality, membership expansion remained a challenge. Though the company proposed to serve nearly 700 members/ artisans, they could so far mobilise only 290 members. Many of the members of the OFPO are also members of the POPI, Charaka Women Multipurpose Cooperative Society. There is no distinction between the POPI and the OFPO.

3.1.8 Swavalambi Sakhi Producer Company Ltd., Dharwad

The OFPO initially envisaged to mobilize 200 members. However, as the nature of 'Aari' hand embroidery work, a specialized skill, the POPI could mobilize only 150 artisans. However, the members have come forward for considerable share capital contribution on account of motivation and capacity building of the POPI. The members must necessarily undergo skilled training to master in the art. Availability of working capital finance is expected to improve the viability and performance of the OFPO.

3.1.9 Conclusion

It may be concluded that by and large, there were no major constraints regarding mobilisation of members and formation of OFPOs in both the states.

- ❖ In TN, 3 out of 4 OFPOs being in handloom & weaving sector, majority of the members were exploited by the master weavers/master craftsmen. Hence, members readily joined the OFPO, which ensured decent livelihood and increased earning.
- ❖ The non-weaving OFPO of TN, viz. Green Fem PCL in Madurai and the 2 OFPOs of Karnataka viz., Sakhi Saphalya Crafts PCL and Swalambhi Sakhi PCL provided livelihood opportunities for women in semi-urban areas by way of skilling, self-employment & market linkages. Hence mobilisation was not a constraint.
- ❖ In Santh Haralayya Leather PCL, Belgaum, member mobilization was difficult due to the

prevailing low levels of literacy, awareness and the resultant non-realisation of the severe exploitation by master craftsmen/traders of Kolhapuri chappal.

- ❖ Uthariya OFPCL, Shimoga, Karnataka, also faced mobilization difficult as there were fewer genuine weavers in the locality, and membership expansion remained a challenge.
- ❖ Kanjanmalai OFPO & Santh Haralayya Leather PCL faced challenges in retaining members due to inabilities in provision of requisite services/ working capital.
- ❖ Availability of working capital finance and provision of CFC are expected to improve the viability of the OFPOs as well as in expanding and retaining their membership.

3.2 Role of CBOs/POPIs in promotion of OFPOs

The role of POPI in supporting OFPOs was examined with regard to their performance and efforts towards mobilization and sensitization, human resources development (training and capacity building), facilitation/ arrangements for provision of necessary infrastructure, credit & market linkages to the OFPOs, and other aspects like facilitation for convergence with other stakeholders for overall development. The OFPO specific observations and general interpretations are presented below:

3.2.1 Kanjamalai OFPO

The Institute for Entrepreneurship Development (IED), Dharmapuri has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Credit and Market linkage: Facilitated the OFPO in marketing initiatives – buyers connect. They also facilitated them in credit linkage with NABKISAN.
- ❖ Though baseline survey was conducted, Business plan was prepared and DPR was submitted for promotion of the OFPO, the representatives of the POPI were disconnected from the OFPO. It appears that they are keeping a distance from the OFPO now, on account of the financial problems faced by them.

3.2.2 Green Fem OFPO, Madurai

Voluntary Association for People Services (VAPS), Madurai has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion,

marketing initiatives – buyers connect and transport logistic support. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.

- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They are working with the OFPO for sourcing the RM and marketing of their produce.

3.2.3 Vastra Weaver Producer Company, Aruppukottai

Women Organization for Mass Action (WOMAN), Virudhunager has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day to day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.
- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They have helped them in MCA registration and GST registration. They are working with the OFPO for credit linkage of their members and marketing of their produce.

3.2.4 Navasarigai Silk Handloom Weaver Producer Company, Chetpet

Rural Education and Development Society (READS) Chetpet, has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. Online marketing interventions include ONDC, Instagram and B2B intervention. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.
- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They have helped them in MCA registration and GST registration. They are working with the OFPO for credit linkage of their members and marketing of their produce.
- ❖ They have also helped the OFPO in Startup Registration with GoI and helped the members in getting weavers' card.
- ❖ During the initial phase they offer technical manpower with related soft skills to take care of day-to-day affairs of the OFPO.

3.2.5 Santh Haralayya Leather Producer Company Ltd., Madbhavi

Deshpande Foundation, Dharwad has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO. However, it is felt that the POPI should focus more on building the capability of BoD & members of Santh Harlayya Leather PCL.
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. Marketing interventions include B2B intervention. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.
- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They have helped them in MCA registration and GST registration. They are working with the OFPO for credit linkage of their members and marketing of their produce.
- ❖ Good handholding was provided by Deshpande foundation to both OFPOs on all aspects.

3.2.6 Sakhi Saphalya Crafts Producer Company Ltd., Dharwad

IDF, Dharwad has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. Online marketing interventions include ONDC, Instagram and B2B intervention. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.
- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They have helped them in MCA registration and GST registration.
- ❖ However, there is no distinction between POPI & OFPO, as members are common & books of accounts are also common.

3.2.7 Uttariya Producer Company Ltd., Shivamogga

Charaka Women Multipurpose Cooperative Society, Shivamoga has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.

- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. Marketing interventions include promotion of Desi brand for sale of the OFPO produce.
- ❖ Besides the above, they helped them in MCA registration and GST registration.
- ❖ However, there is no distinction between POPI & OFPO, as members are common & books of accounts are also common.

3.2.8 Swavalambi Sakhi Producer Company Ltd., Dharwad

Deshpande Foundation, Dharwad has promoted the OFPO. Major roles played by the POPI are:

- ❖ Capacity building: The POPI has taken initiatives in mobilizing the members and taken them to similar successful interventions and convinced them to form OFPO.
- ❖ HR and Training: Provided soft skill training to members. During the initial years the POPI has facilitated the OFPO with their staff for their day-to-day operations and business.
- ❖ Infrastructure, Credit and Market linkage: Facilitated the OFPO in brand promotion, marketing initiatives – buyers connect and transport logistic support. Marketing interventions include B2B intervention. They also facilitated the members of the OFPO in financial literacy, saving, credit linkage and insurance.
- ❖ Besides the above, they conducted baseline survey, prepared Business plan and DPR. They have helped them in MCA registration and GST registration. They are working with the OFPO for credit linkage of their members and marketing of their produce.

3.2.9 Conclusion

Based on the foregoing discussions, the performance of the POPI in supporting the OFPOs under specific parameters has been rated as very good, good, satisfactory or unsatisfactory. The OFPO-wise details is summarized below in Table 3:

Table – 3: Performance of POPI in supporting OFPOs

Name of the OFPO	Name of the POPI	Mobilisation & Sensitisation	Human Resources & Training	Provision of Infra.	Credit linkages	Market linkages	Other aspects
Green Fem PCL	VAPS	Good	Good	Satisfactory	Nil	Good	Good
Kanjamalai Textile Weaver PCL	IED	Unsatisfactory	Satisfactory	Unsatisfactory	Satisfactory	Satisfactory	Satisfactory
Vastra PCL	WOMAN	Satisfactory	Satisfactory	Satisfactory	Satisfactory	Good	Satisfactory
Navasaarigai Weavers PCL	READS	Very Good	Very Good	Very Good	Nil	Good	Very Good
Uttariya PCL	Charaka MVKSSN	Unsatisfactory	Satisfactory	Good	Nil	Satisfactory	Satisfactory
Santh Haralayya PCL	Deshpande Foundation	Good	Very Good	Satisfactory	Nil	Good	Very Good
Sakhi Saphalya PCL	IDF SHG Federation	Satisfactory	Good	Unsatisfactory	Nil	Satisfactory	Good
Swavalambi Sakhi PCL	Deshpande Foundation	Good	Very Good	Satisfactory	Nil	Very Good	Very Good

- ❖ **Mobilisation & Sensitisation:** The formation of OFPOs could be seen as a logical culmination of various community mobilisation initiatives and developmental programmes previously undertaken by the NGOs/CBOs (which are now acting as POPIs of the OFPOs) in the case of Deshpande Foundation and IDF SHG Foundation. In these cases, the POPIs were found to leverage on the social capital created by them through their initiatives for promotion of SHGs and microenterprises under various promotional schemes of NABARD. Further, the initiative of Deshpande Foundation assigning specific responsibilities and targets to each of the BoD of Santh Haralayya Leather PCL for membership expansion and mobilisation based on their geographical representation is noteworthy and replicable by other OFPOs. In this context, it may be inferred that the performance of POPIs in mobilization and sensitization is either good or satisfactory in the case of six OFPOs. However, in two cases, viz., IED Dharmapuri (POPI of Kanchanmalai OFPO) and Charaka Society (POPI of Uttariya PCL), the handholding extended by them to the respective OFPOs was found to be sub-optimal and inadequate. Both these POPIs need to be sensitized on their roles and responsibilities.
- ❖ **Human Resources & Training:** Mostly HR & EDP training programmes were organised by the POPI for BOD & members. Skill training was organised with the help of experts/BoDs for the members. In general, the role played by POPIs in building managerial capabilities and skills among the members can be rated as satisfactory or good in most cases. READS and Deshpande Foundation have exhibited very good performance in imparting essential and need-based skill training inputs and capacity building for entrepreneurship development to the BODs, CEO and members of the OFPOs promoted by them. However, there is much room for reskilling of members for continuous technology upgradation by the OFPOs in all cases.
- ❖ **Provision of Infrastructure:** While READS took proactive role by arranging proper infrastructure facilities to the OFPO, Deshpande Foundation has made modest attempts in arranging infrastructure facilities for operation of the OFPO. Charaka Society provided its own premises and infrastructure facilities for the operations of the OFPO. The infrastructure arrangements made by IDF were minimal with inadequate space and a non-functional common service centre. Two POPIs (IED and WOMAN) did not provide any facilitation for arranging infrastructure for the OFPOs.
- ❖ **Provision of Credit:** The off take of bank credit by the OFPOs was found to be absent except in the case of Kanchanmalai PCL which availed loan from NABFINS and defaulted later. In the case of Aruppukottai PCL, the POPI facilitated to arrange SHG loans to members for marketing of products. In the remaining six cases, the POPIs were not found to facilitate any credit arrangements, as the OFPOs were mostly operating in low scales with the internally available resources, especially the equity mobilized from members. Further, the OFPOs were not found to realise the need for and importance of external finance for expansion of their business activities and adoption of technology, on account of low level of confidence in their business and income generation capabilities.
- ❖ **Provision of Market linkages:** As discussed in the previous sections, the raw material is generally purchased and supplied to the OFPO members by the POPIs, based on orders received by the POPI and the finished goods and products are bought back by the POPIs.

POPIs also supported OFPOs in branding & marketing in majority of the cases, wherein the members are paid wages based on their job-work. However, in the case of IDF & Charaka Society which maintained common accounts for POPI & OFPO, it was observed that the POPIs tend to use the OFPOs as their production units and often depend on the OFPOs for their existence and survival. Therefore, there is a need for defining the boundaries of support and handholding to be extended by POPIs to OFPOs and putting in place specific plans for gradual withdrawal and exit of POPIs.

- ❖ Other aspects: The interactions with the POPI and OFPOs revealed that the role of POPIs in providing overall motivation and encouragement to the OFPOs for their all-round development was very good in three cases, good in two cases and satisfactory in three cases, as seen from the above table. The specific areas of support included facilitation of MCA and GST registration (all POPIs) and ensuring financial inclusion by facilitating the OFPO members in obtaining financial literacy and linking with bank for savings, credit & insurance (all POPIs except IED). The POPIs were found to network with suitable institutions and agencies for goals like financial inclusion, women empowerment, social security, and labour welfare, besides facilitation of various registrations and effecting business tie-ups and participation in exhibitions. As a result of these initiatives of POPI in coordination with the OFPO, the members feel connected to the OFPO. This was found to be predominantly true in the case of OFPOs in Tamil Nadu, where it is presumed that they will be able to sustainably take forward the activity after the exit of the POPI.

3.3 Organisational structure and governance aspects of OFPOs

The key parameters pertaining to the organization and governance of the eight OFPOs are presented below in Table - 4.

Table - 4: Organisational and governance related aspects of OFPOs

Name of OFPO	No. of members (total/women)	BoD	No. of women BoD	List of shareholders maintained	Issue of share certificate
Green Fem PCL	250/250	10	10	Yes	Yes
Vastra PCL	100/100	10	9	Yes	Yes
Kanjamalai PCL	500/171	10	1	Yes	Yes
Navasarigai PCL	336/50	10	2	Yes	Yes
Uttariya PCL	290/255	10	4	Yes	No
Sant Haralayya PCL	211/109	9	4	Yes	No
Sakhi Saphalya PCL	407/407	5	5	10	Yes
Swalambhi Sakhi PCL	207/207	10	10	Yes	Yes

The major observations and interpretations pertaining to organizational and governance aspects of the eight OFPOs covered in the present study are as under:

- ❖ All the eight OFPOs visited were registered as Companies and had a Board of Directors (BoD), represented by at least 10 members, for effective governance & control.
- ❖ Half of the OFPOs (4 out of 8) were exclusive women OFPOs (2 in TN & 2 in Karnataka).
- ❖ The strength of BoD varied from 10-13. The BoDs were initially selected on nomination basis by the POPI based on geographical representation, technical expertise, and qualitative parameters such as leadership skills, commitment, initiative and interest in contributing to a common cause. The Chairman/Cairperson of the OFPO was elected among the BoD.
- ❖ However, in the case of Sakhi Saphalya PCL, the representation by members in the BoD was only five and the remaining Directors were non-members and social workers engaged in literary & developmental activities and not connected with the core activity of the OFPO. The POPI, viz., IDF SHG Foundation had a strong control and dominance over the BoD & members as well as on the management & business affairs of the OFPO. The CEO of POPI was acting as the CEO of the OFPO as well, taking key decisions, despite the presence of an elected Chairperson, presumably because the members (women) belonged to the poorest strata of society and were mostly either illiterate or less educated. The members therefore lacked sense of ownership due to their lack of awareness of purpose and objectives of collectivisation through OFPO and their rights as shareholders.
- ❖ Women directors were inducted into BoD of all OFPOs (other than all women OFPOs) to the extent of one-third representation, except in the case of Kanjanmalai OFPO, where the BoD had only one women director.
- ❖ All the BoDs of the OFPOs invariably had a Director who was good in design/training and helped the members in capacity building and skill training.
- ❖ Informal groups of the BoDs were formed to take care of their input procurement and sales/ marketing in most of the OFPOs. In the case of Santh Haralayya Leather PCL, each BoD was assigned specific responsibilities and targets for membership expansion and mobilisation based on their geographical representation.
- ❖ BoD meetings and AGM were held regularly in all OFPOs except Kanjanmalai OFPO, which is under financial distress and default to NABFINS. The Board meetings were adequately represented, and BoDs discussed issues pertaining to the business promotion of the OFPOs. The registers and minutes books pertaining to Board meetings were maintained.
- ❖ The OFPOs have a full-time regular CEO in place, except in the case of Vastra Weavers Producers Company Ltd. The reason reported by the OFPO for the vacancy of CEO was resignation on account of marriage. They have made a stopgap arrangement by giving temporary charge to the facilitator, supported by the Board. However, in Sakhi Saphalya PCL, the CEO of POPI acted as the CEO of OFPO also and in the case of both the OFPOs promoted by Deshpande Foundation, the POPI staff act as CEOs.
- ❖ In all the eight OFPOs visited, the POPIs helped the OFPOs in registration and updating the details in MCA portal. Services of CA & CS were availed by them whenever needed.

Accounting software was used for billing and finalizing the accounts.

- ❖ Share certificates were issued to their shareholders in all the OFPOs at the time of visit, except in case of Santh Haralayya Leather PCL and Uttariya PCL. The CEOs reported that the same will be issued soon.
- ❖ The strength of the administrative/operational team of the OFPOs was observed to be in the range of two to five, comprising of CEO, Facilitator, Production Manager and System operators. The strength of the operational team was maintained at lower levels, essentially to minimize the overheads of OFPO.
- ❖ In all the four OFPOs of Karnataka, it was found that the production and marketing activities were supervised and controlled by the POPI, in varying intensities.
- ❖ In Santh Haralayya Leather PCL, the core management team of OFPO comprised of five staff of the POPI including the CEO & Office Assistant who were on deputation from POPI. The justification attributed to deputing POPI staff in OFPOs was that such an arrangement helps provide strong handholding support to the OFPO (most of the members being illiterate or with low levels of education) till they build their own capabilities to manage.
- ❖ Governance aspects were by and large satisfactory except for Kanjanmalai OFPO in Tamil Nadu and Uttariya PCL, Shigmoga, Karnataka. In Kanjanmalai OFPO, efforts were being made for improvement, as observed in the ability of OFPO to maintain and demonstrate transparency to their members post COVID.

3.4 Services offered by OFPOs to its members

Most of the OFPOs offered various services to their members, ranging from skill training, arranging input supply at reasonable cost, providing common facility centre and marketing arrangements to quality control and compliance, as indicated below in Table – 5.

Table - 5: Services offered by OFPOs to members

Name of OFPO	Skill training	RM supply	CFC	Tech. adoption	Marketing facilities	Quality Control	Compliance accounting, GST/MCA
Green Fem PCL	Yes	Yes	Yes/ H&S#	Yes	Yes	Yes	Yes
Vastra PCL	Yes	Yes	Nil	Yes/ Partial	Yes	Yes	Yes
Kanjamalai PCL	Yes	Yes	Nil	Yes/ Partial	Yes	Yes	Yes
Navasaarigai PCL	Yes	Yes	Yes/Basic *	Yes	Yes	Yes	Yes
Uttariya PCL	Yes	Yes	Yes	Yes/ Partial	Yes	Yes	Yes
Sant Haralayya PCL	Yes	Yes	Yes/Basic	Yes/ Partial	Yes/ Partial	Yes	Yes
Sakhi Saphalya PCL	Yes	Yes	Yes/ Basic	Yes/ Partial	Yes	Yes	Yes
Swalambhi Sakhi PCL	Yes	Yes	Yes/ H&S	Yes	Yes	Yes	Yes

Note: # H&S – Hub & Spoke model employed

* Basic – OFPO could provide basic facilities

The nature of support and services offered in the above-mentioned areas and the extent of improvement brought about by the OFPOs in providing access to critical inputs – technology, skill upgradation, finance and market – to its members have been analysed in this section and the key findings are presented below:

- ❖ Managerial functions: All the OFPOs also undertook activities relating to MCA registration and statutory compliance to ROC guidelines. They also helped in GST registration of the OFPOs, enabling direct sale.
- ❖ Skill upgradation: Most of the OFPOs organised skill training for the members, though at a basic level of production using low-end technology.
- ❖ Forward and backward linkages for production: A few of the OFPOs created Common Facility Centre (CFC) for their members enabling healthy working conditions (Green Fem and Navasarigai in Tamil Nadu and Santh Haralayya Leather PCL & Swavalambi Sakhi PCL in Karnataka). In the case of two OFPOs in Karnataka (viz., Uttariya & Sakhi Saphalya PCL), the POPIs had created CFCs in their premises for the use of the members of the OFPOs. However, the CFC set up in the premises of IDF SHG Foundation (POPI of Sakhi Saphalya PCL) was found to be in a defunct state.
- ❖ Two OFPOs (Vastra & Navasarigai in Tamil Nadu) provided services relating to design and product development. In the case of two OFPOs in Karnataka (Uttariya & Sakhi Saphalya PCL) the POPIs themselves undertook activities like fetching bulk B2B orders from institutions/corporates, product design, product development and branding (Desi brand and Kaikraft brand respectively have been promoted by these two POPIs).
- ❖ All the OFPOs were found to pay remuneration to their members as wages as per the progress and nature of job. None of the OFPOs visited have so far declared dividend to their members.
- ❖ Board members of the OFPOs were found to be involved in Quality Control and Standardization of the products. The BoD also facilitated the process of fixing the product price and margin for the OFPOs.
- ❖ Some of the OFPOs offered working capital credit to their members for procurement/ supply of raw material.
- ❖ In the case of Sakhi Saphalya PCL, almost all the services supposed to be undertaken and offered by the OFPO were found to be done by the POPI, ostensibly due to the lack of managerial capabilities and awareness among the members. As such, the members were relegated to mere workers who just undertake job-work mostly from their homes for regular works and in the premises of POPI, in work-orders involving intricate embroidery works.
- ❖ The OFPOs, with the active support of POPIs, facilitated participation of OFPO members in state-level / inter-state exhibitions and Expos, with financial support of NABARD.
- ❖ Convergence services: Some of the OFPOs were proactive in helping their members obtain weavers card (Navasarigai) and artisans card (Santh Haralayya), which facilitated the members to derive related social security benefits, insurance and credit.

3.5 Business planning process of OFPOs

This section analyses the business planning process of OFPOs (role of OFPO in firming up the product designs, production systems, technology adoption) and the initiatives for ensuring quality of products, business diversification and product differentiation.

- ❖ Most of the OFPOs initiated their business planning process based on the Business Plan and DPR initially developed for the purpose. The POPIs (either independently or in consultation with the initial promoting members of the OFPOs) undertook preliminary activities such as diagnostic study and feasibility analysis, formulation of Business Plan and Detailed Project Report for support from NABARD & Government agencies.
- ❖ The OFPOs commenced their production activities based on their strengths and the product lines were planned accordingly.
- ❖ Based on the felt-needs of clients/customers identified by the OFPOs in accordance with an understanding of the changing market preferences and demands, their business processes like product design, production systems and technology too started evolving (Navasarikai, Vastra, Swavalambi Sakhi PCL and Green Fem PCL). Such changes in business processes of OFPOs to keep up with the changing market requirements also warranted acquiring new skills and introduction of new technology in production process (Navasarigai & Vastra PCL).
- ❖ Though some of the OFPOs have come up with new products and differentiated their products based on their clients' needs, it is too early to have any conclusive remarks on their efficacy and impact on profitability.
- ❖ NABARD's support to OFPOs (under its marketing initiatives like support for participating in exhibitions and Stall in Malls scheme) help them understand their clientele and suitable modify their business process.

3.6 Marketing strategies and methods

An analysis of the marketing methods and strategies adopted by OFPOs revealed that OFPOs deploy a multitude of modes and channels for marketing such as (i) direct sales through showrooms, exhibitions, own shops/outlets or SHG members (ii) sales to institutional buyers, (iii) online marketing through platforms like ONDC. These methods are used by OFPOs either singly or in combination, depending on the nature of the product, ease of sales as well as the extent of competition from other players. The details of the various mode of sale and marketing resorted to by the OFPOs are as under :

Table – 6: Marketing methods of OFPOs

Sl. No.	Name of the OFPO	Mode of Sale/ Marketing
1	Kanjanmalai PCL	<ul style="list-style-type: none"> Buyers/showroom - 60 % Institutional - 30 % Directsale - 10% (Bulk 90%, retail 10%)
2	Green Fem PCL	<ul style="list-style-type: none"> Institutional -60% Shops - 20% Online -20%
3	Vastra PCL	<ul style="list-style-type: none"> Sale through SHG members - 75 %, Institutional -25 % Online sales also initiated through Instagram and Mystore/ONDC
4	Navasarigai PCL	<ul style="list-style-type: none"> Expos & exhibitions -40% Word of Mouth through OFPO Shops - 35 % Online -25%
5	Uttariya PCL	<ul style="list-style-type: none"> Mostly institutional sale Sold through Desi Brand of POPI
6	Santh Haralayya PCL	<ul style="list-style-type: none"> Mostly institutional sale(LIDKAR) Online sales also initiated through ONDC
7	Sakhi Saphalya PCL	<ul style="list-style-type: none"> Ownshop - 30% (Kaicraft brand of POPI) Institutional/corporate buyers -70 %
8	Swavalambi Sakhi PCL	➤ Ownshop - 100% (through AK Shop & Hubli Airport Stall)

Conclusion:

- ❖ As observed from the above table, majority of the OFPOs used more than one mode of sales. Members understood the issues faced by them in reaching the market and therefore they search for alternate marketing channels having the potential to give them remunerative prices and better returns. Few OFPOs have adopted Online platforms like ONDC for improving their sales (Green Fem PCL, Vastra PCL and Navasarigai PCL).
- ❖ It was found that in most of the cases, collective marketing was preferred as it helped them in better price discovery. All the OFPO members/CFCs were found to sell their products directly, routing through the OFPO, except in the case of a few members of Santh Haralayya Leather PCL who did not avail the facilities of CFC and undertook production activities individually and independently.
- ❖ However, most of the OFPOs experienced challenges in marketing their products in various degrees and levels. The major constraints experienced by OFPOs in marketing emanate from the inherently low level of mechanization, skill upgradation and technology adoption which cumulatively manifest as (i) high cost of production leading to less competitive pricing mechanisms (ii) low quality of products due to lack of standardization (iii) sub-optimal productivity and efficiency in terms of output per unit of inputs used (iv) low economies of scale and (iv) lower profitability.

- ❖ Another major constraint faced by the OFPOs is in reaching out to institutional buyers and placing their products in institutional outlets. This is particularly experienced by OFPOs in the Saree segments, where minimum volume and product design are the major limiting factors.

3.7 Enabling and Constraining factors impacting performance of OFPOs

The specific factors that either enabled or constrained the OFPOs in their performance were identified and plausible solutions are suggested to overcome those challenges and to improve the existing arrangements.

3.7.1 Enabling factors

The following positive features were noticed in general among various OFPOs covered in the study and were found to act as enabling factors which are worthy of replication by other collectives.

- ❖ The OFPO model gave the members a platform for collectivization and marketing. Provision of a common platform for artisans and weavers through collectivisation of various production activities under the aegis of OFPOs helped in common sourcing of raw material and collective marketing, thereby allowing the members to concentrate on production leveraging their core strengths in terms of knowledge and skills. As such, the members need not bother about marketing and can focus on production, unlike the pre-OFPO period. Besides these, the forum of OFPO also provided a sense of security and belongingness to the members on account of the group feeling.
- ❖ The platform of OFPOs ensured dignity of labour and provision of decent working conditions by making available common facility centres (CFCs) for undertaking production activities of shareholder members. The establishment of CFCs have significantly improved their working conditions.
- ❖ OFPOs allowed flexible timings, providing the much-needed convenience to members, particularly women, to participate in economic activities and contribute to household income without compromising the other social needs of the family.
- ❖ OFPOs encouraged higher female labour force participation and provided a bouquet of benefits to women artisans and weavers such as exposure to business opportunities, better livelihood and income generation opportunities, job satisfaction, social empowerment, social inclusion and ability to contribute to national GDP.
- ❖ OFPO offered ample opportunities to members to upgrade their skills and technology and resulted in good technical knowledge and skill among the members, combined with their traditional knowledge. This augured well for the OFPOs, holding great potential for continuous skill enhancement, specialisation and technology upgradation at various levels of production process.
- ❖ Majority of the POPIs and OFPOs have taken adequate care in ensuring good compliance to statutory requirements.
- ❖ A few OFPOs have adopted a good mix of marketing strategies, combining realistic

assessment of market demand, consumer preferences and institutional tie-ups.

- ❖ The medium of OFPOs has helped in greater financial inclusion with higher penetration of social security benefits, insurance, pension, overdraft etc.

3.7.2 Constraining factors and plausible solutions suggested

The constraining factors adversely impacting the performance of OFPOs were examined and the plausible solutions have been suggested considering the ground level circumstances of the OFPO. The OFPO-wise details are presented in Table-7 below:

Table – 7: Constraining factors and solutions suggested

Sl. No.	Name of the OFPO	Constraining Factors impacting the Performance	Suggested Solution
1	Kanjamalai PCL	<p>Working capital finance is the felt need of the OFPO.</p> <p>The OFPO defaulted in servicing the loan availed from NABKISAN on account of cashflow crunches faced by the OFPO during the COVID lockdown.</p>	<p>Appropriate revival / restructuring plan shall be worked out with definite milestones for revival of OFPO.</p> <p>Working capital requirement is assessed at tentatively Rs.60000/- per loom. The OFPO should realistically assess the neds and draw a suitable revival plan.</p>
2	Green Fem PCL	<p>The OFPO, which is based on Hub and Spoke production model, works on ecofriendly products with jute as the major raw material (RM). This necessitates specialised sewing machines for stitching jute in all the spoke centres. The need for heavy duty sewing machines is therefore felt. As the OFPO buys RM mostly from Kolkatta, they prefer bulk buying and storage.</p> <p>Most of the product lines are customized. The clients prefer customized printing/design on the finished goods</p>	<p>The OFPO should have common facility centre (CFC) in all the spokes/ taluks for providing better working environment to the women members. OFPO may ensure that every CFC has a few heavy-duty sewing machines.</p> <p>To minimise long-distance transportation cost, the OFPO shall have an RM Bank at the hub. Further, to smoothen the production and demand mismatches, the OFPO shall also have a finished good (FG) store.</p> <p>The OFPO shall have a better printing machine to emboss customized design on the finished product.</p>
3	Vastra PCL	<p>The OFPO does not have a CFC, which is the key need of the members.</p> <p>The OFPO has located land for the CFC and wants to go ahead with infrastructure creation in that location.</p>	<p>The OFPO shall set up the CFC which shall have facilities for dyeing/ colouring, Pav and thread rolling facilities, design card punching, QC check, finishing and specialized folding facilities. This will not only reduce the input costs but also help the OFPOs and members in enhancing their sale.</p> <p>The OFPO should be able to procure RM and consumable items as per their members' need and support. This will not only increase the</p>

		To enhance the business, WC is required for each loom. The same is assessed at tentatively Rs. 60000/- per loom. The OFPO should realistically assess the needs of members and approach Banks/ NBFCs for WC financing.	confidence of its members on the OFPO, but also will reduce their input costs, improving the bottom-line. The OFPO should plan to increase their membership in a realistic manner. Else, the OFPO may not be able to serve their members efficiently, leading to loss of trust of members, who may eventually return to their previous Master Weavers.
4	Navasarigai PCL	<p>Limited facilities in the CFC.</p> <p>Non-availment of working capital loan for scaling up operations</p>	<p>Ensuring sufficient space for the CFC and development of necessary infrastructure will help in upscaling the production levels of the members.</p> <p>Affordable working capital limits will reduce the burden of the members and will help in increasing their production volumes, income and profitability.</p>
5	Uttariya PCL	<p>There is no earmarked area available for the OFPO in the premises of the POPI.</p> <p>Dominance and dependency of the POPI on the OFPO.</p> <p>No separate elected BoD for OFPO.</p> <p>Expansion of the project area to other districts for sourcing and mobilizing more members.</p>	<p>The POPI shall provide basic facilities to the OFPO including separate office, working area, CFC and other infrastructure facilities required.</p> <p>POPI should reduce their dominance and dependency on the OFPO and handhold it to function on its own.</p> <p>A democratically elected BoD should be put in place, which will help in handholding and nurturing of the OFPO.</p> <p>We may consider allowing expanding the project areas enabling more no. of traditional and genuine artisans to come in to the fold of OFPO and harness the benefits of scale.</p>
6	Santh Haralayya PCL	<p>Low literacy rate and ignorance of the members act as severe impediments to use of technology, maintaining production standards as well as comprehending the spirit of collectivisation.</p>	<p>Capacity building and handholding of the members by the POPI for a few more years may be considered to help them understand the role and advantages of the OFPO framework. Besides this, roping in young, educated members is inevitable for overcoming the present challenges on account of illiteracy and to provide an impetus to adoption of latest technology. These measures would help the OFPO remain relevant and competitive in the market, besides modernising the sector.</p> <p>Standardization of the product and size will lead to better quality and higher recognition of product, thereby helping both the OFPO and the customers in smoothening the sales processes and reducing return of the sold</p>

		<p>The product is Kolhapuri chappals. Standardization of the product is needed to reach online stores.</p> <p>Availability of limited facilities in the CFC.</p>	<p>products by the customers. This requires higher order skilling and technology upgradation which will also help the members in increasing the volumes, maintaining uniformity and consistency in size of chappals, and considerable reduction in turn-around-time for quality production, all of which will positively impact efficiency, productivity and profitability.</p> <p>OFPO may consider expanding and modernising the CFC by adding more sophisticated facilities at each stage of production, skilling more women members to use sophisticated machinery, thereby encouraging more members to use the CFC.</p>
7	Sakhi Saphalya PCL	<p>Limited number of skilled artisans in the field of Kasuti work.</p> <p>Limited facilities available at CFC and Raw material & Finished Goods store.</p> <p>Hold and dependency of the POPI over OFPO</p>	<p>Identifying prospective artisans and providing requisite skill training will help the OFPO in expanding membership, upscaling their activities and optimal utilisation of CFC post-expansion. This will help the OFPO to achieve economies of scale by sourcing of RM at reasonable rate and reduced transportation expenses.</p> <p>CFC facilitation should be reassessed and suitably renovated.</p> <p>The POPI should try to put in place a democratic BoD in place with realistic representation of the members. The POPI should handhold the BOD till a definite timeframe and allow them to guide the OFPO to grow and flourish independently.</p>
8	Swavalambi Sakhi PCL	<p>As the activity is skill-based (Aari - embroidery), the OFPO membership is limited.</p> <p>WC loan will help them in scaling up.</p>	<p>The OFPO should try to provide skilled training to more women and increase the membership.</p> <p>Post-training intervention, the POPI should help the OFPO in getting timely and adequate working capital from financial institutions. This will help in upscaling the activities of the OFPO and improve their viability.</p>

Chapter 4

Summary and policy implications

The development of rural off farm sector or rural non-farm sector (RNFS) in India is imperative for sustainable economic growth, diversification and enhancement of rural household incomes and reducing income inequality, besides reducing the pressure on land. The RNFS in India accounts for nearly 40 per cent of the rural output and over 60 per cent of the rural employment in India, contributing to multiple Sustainable Development Goals (SDGs) of the United Nations. However, the sector suffers from innumerable challenges such as low productivity, poor quality of products, inadequate capability, lack of access to markets, finance, technology and skills, lack of business processes and systems, regulatory and legal hurdles, lack of innovation and value addition, and high competition from market players. Many developmental initiatives and programmes have been implemented by the Central and State Governments in collaboration with various stakeholders from time to time for strengthening the RNFS in India. The evolution of clusters and collectives provided a renewed direction to the development of RNFS by providing opportunity to groups of rural artisans to organize themselves to engage in various productive economic activities in a cost-effective and efficient manner. Such collectives or POs have been considered an important tool to aggregate the artisans, weavers and other rural producers living in small clusters for improving their production, expanding their market reach and improving their income levels.

4.1 Summary of the study

4.1.1 Background of the study

As part of its initiatives for supporting the rural non-farm sector, NABARD has adopted a cluster-based approach for development of POs in activities like handloom, handicrafts etc. for promoting rural enterprises. NABARD has been supporting the formation and nurturing of OFPOs since 2016 when the policy for promotion of OFPOs in existing clusters supported by NABARD was issued. The OFPOs are expected to bridge the gaps existing in skill, technology, quality and market, by building the capabilities of its members to leverage the production and marketing ecosystem for sustainable income generation. Around 67 OFPOs covering over 20,000 artisans and weavers have been supported by NABARD under the scheme as of May 2023, with a grant assistance of 35.49 crore across 27 states for undertaking business activities of OFPOs in aggregation, marketing and input distribution. It is in this backdrop that the present study on 'Off-farm Producer Organisations in Karnataka and Tamil Nadu' has been proposed, as elaborated in Chapter I.

The present study was conducted with the objective of analysing multiple aspects such as the role of POPIs in promoting OFPOs, challenges faced by producers in collectivising their operations at various levels, the organisational structure and governance aspects of OFPOs, the business planning process of OFPOs and the marketing strategies adopted. It also aimed at understanding the specific factors critically impacting the performance of OFPOs. The study covered a total of eight OFPOs - four each in Karnataka and Tamil Nadu states. The study relied on information gathered from OFDD, NABARD HO & ROs (Karnataka & TN) and primary data collected from the POPIs, OFPOs and related stakeholders using structured questionnaire through interviews and FGDs.

4.1.2 Profile of OFPOs

The profile of each of the eight OFPOs studied has been presented in Chapter II and covers key aspects pertaining to both POPI and OFPO. Besides the basic organisational and governance related aspects like registration, membership, share capital, composition of BoD, CEO, conduct of statutory meetings, role and support of POPI etc., functional aspects such as major products, business (sales, profits etc.) of OFPO, infrastructure available, nature of support and services provided to members, major achievements, shortcomings if any and future business projections/potentials/ expectations have been covered in the profile. It was observed that there is wide variation across the OFPOs on almost all the parameters covered, depending on the geography, nature of products/trade, market scenario and the socio-economic profile of the artisans/weavers. While four OFPOs were involved in textiles (weaving, dyeing, printing & fabric making), two of them specialised in embroidery (Aari and Kasuti), one in jute products and one in Kolhapuri chappal making. Two products viz., Kasuti and Kolhapuri chappal have GI tagging.

In majority of the cases studied, the formation of OFPOs could be seen as a logical culmination of various community mobilisation initiatives and developmental programmes previously undertaken by the NGOs/CBOs (which are now acting as POPIs of the OFPOs with NABARD support). As such, no major constraints were observed for initial mobilisation of members and formation of OFPOs in both the states. However, in the case of two OFPOs, expansion of membership was a critical constraint on account of illiteracy and low level of awareness among members (Santh Haralayya Leather PCL) and non-availability of genuine, skilled weavers (Uttariya PCL). Further, retaining members with the OFPO was a challenge in Kanjanmalai PCL & Santh Haralayya Leather PCL.

Half of the OFPOs were exclusive women OFPOs. The membership of the OFPOs ranged from 100 to 500, with the paid-up capital ranging from Rs.2.20 lakh to Rs.12.50 lakh, pointing to their very low resource base and lower level of capacities to raise external funding. The BoD had a strength of 10-13 Directors, with adequate representation of women (except in one OFPO). The BoD met at regular intervals in majority of the cases (7 out of 8) and maintained all requisite records. The capability of the BoD to guide the OFPO in effectively organising and carrying out business activities was by and large satisfactory, with an exception of two cases where there was no clear distinction between the governance of the POPI (IDF & Charaka Society) and the OFPO (Sakhi Saphalya PCL & Uttariya PCL). All except one OFPO had a regular CEO. The administrative team of all OFPOs was relatively small with a strength of 2-5 staff members. All the OFPOs operated from rented premises (rental ranging from Rs.4000 to Rs.54000 per month) and possessed basic infrastructure like furniture and at least one computer. The average annual sales of the eight OFPOs ranged from Rs.8.12 lakh to Rs.36 lakh during FY23. The OFPOs also ensured necessary statutory compliances and registrations.

4.1.3 Major findings of the study

The performance of POPIs in mobilization and sensitization was found to be either good or satisfactory in the case of six OFPOs. However, in two cases, (viz., IED and Charaka Society), the handholding extended to the respective OFPOs was found to be sub-optimal and inadequate and hence needed substantial sensitization and reorientation.

The activities undertaken by the OFPOs, mostly with the active support and involvement of the POPIs, included capacity building, skill training to members, bulk procurement of raw

materials, setting up and maintaining the CFC, fetching bulk orders, product design, development, branding and marketing of products. Only half of the OFPOs set up CFCs for their members at varying levels of infrastructural and operational capacities. In most cases, all backward and forward linkages are carried out by the OFPO (mostly through the POPI) and the members receive monthly wage payments or commission charges for the job-works undertaken by them.

The study found that the OFPOs were not able to scale up and expand the volume of production and business primarily due to lower production efficiencies and high turn-around-time on account of use of traditional, obsolete and inefficient production technologies. The low capital base coupled with poor skills, lack of precision and low levels of education pose severe bottlenecks to the expansion prospects of most of the OFPOs. As a result of the given socio-economic pre-conditions and multi-dimensional deprivations of the members, the OFPOs most often did not perceive the need for external funding for expansion and hence had not approached for institutional finance, though the study found the dire need for working capital in most of the cases. Also, there was a strong perception among the OFPOs that may not be creditworthy due to the low capital base and irregularity in sales turnover. The pandemic situation had aggravated the financial condition of a few of the OFPOs due to severe marketing constraints.

The study also examined the specific factors that either enabled or constrained the performance of OFPOs and suggested plausible solutions to overcome the challenges. The enabling factors included the intrinsic strength of collectivisation through the OFPO platform in providing a sense of security and belongingness to the members and facilitating them to concentrate on production leveraging their knowledge and skills, as expressed by the members. The setting up of CFCs by 6 out of 8 OFPOs, though at a very basic level, have helped in providing better production facilities and working environment with flexibility to the members. Upgrading and strengthening of the existing CFCs with modern machinery and equipments using latest technology is essential for growth and expansion of the OFPOs, which in turn needs external support and funding. The mix of marketing strategies adopted by some of the OFPOs, with a combination of direct outlet sales to institutional tie-ups and online platforms was a positive feature.

Most importantly, bringing the women artisans and weavers into the fold of OFPOs is likely to have profound positive socio-economic implications in terms of higher female labour force participation, improved opportunities for livelihood, business and income generation, dignity of labour, job satisfaction, women empowerment, social and financial inclusion and higher potential to contribute to national GDP.

However, there were many challenges too, experienced in varying measure by different OFPOs. The severe awareness gaps among members regarding the concept, purpose and objectives of the OFPO resulted in a lack of sense of ownership of the OFPOs as shareholders, crippling the financial performance of OFPOs. This led to the situation where the POPIs tend to dominate and engage the OFPO members as mere labourers for the business goals of the POPI. Low level of membership, poor share capital mobilisation, inadequate skills of members, low level of computer skills and lack of professionalism hamper the growth and performance of OFPOs. The major constraints experienced by OFPOs in marketing emanated from inadequate skilling, low level of mechanization, poor technology adoption and lack of standardization, all of which are

mutually reinforcing factors and cumulatively manifested as sub-optimal productivity and efficiency in terms of output per unit of inputs used, high cost of production, less competitive pricing, poor quality of products, low economies of scale and lower profitability.

4.2 Implications for Policy and Suggestions

Based on the observations and key findings of the study, some implications can be drawn for policy, particularly in the overall strategy and implementation of the scheme for promotion of OFPOs. The following suggestions are made to improve the effectiveness of existing policy guidelines, better utilisation of grant assistance as well as to enable the OFPOs to function efficiently and expand their business in a sustainable manner.

4.2.1 Flexibility in OFPO Policy Guidelines

- ❖ The policy guidelines of the scheme for promotion of OFPOs may be appropriately modified to provide assistance to OFPOs at various stages of growth in a customized, personalized and need-based manner, rather than a 'one-size-fits-all' approach.
- ❖ The present system of one-time sanction of grant assistance is likely to attract many not-so-genuine CBOs due to the availability of significant amount of grant (IDF SHG Foundation and Charaka Society). Further, it was also observed during the study that some OFPOs were finding it difficult to fully utilise the instalments even after considerable lapse of time after release (eg. Uttariya PCL). The existing policy for promotion of OFPOs may therefore be reviewed and the extent of support and modalities of sanction and release may be rationalised to avoid underutilisation of funds. The possibility of according in-principle approval to the POPI for promotion of the OFPO followed by according graded sanction of assistance in a step by step manner for each stage of development of the OFPO, based on the satisfactory accomplishment of deliverables expected during the particular stage of promotion and satisfactory utilisation of the grant, if any, released in the preceding stage of development, may be contemplated (instead of the present system of according a blanket sanction of assistance for a period of three years based on the membership linked category of OFPO).
- ❖ Sanction of grant assistance may be accorded only after assessing the actual potential of the cluster or groups for sustainable expansion in terms of membership, activity and volume of business. Suitable system may be put in place as part of policy guidelines for verification of authenticity of business potential projected in Business Plan of OFPO, before proceeding with the sanction of grant assistance.
- ❖ The policy guidelines shall discourage the tendency of POPIs to depute their staff as CEO and administrative staff of OFPO by stipulating that such practices shall not be allowed beyond a reasonable timeframe (to be defined in policy guidelines) and linking with the disbursement of grant assistance. Such practices of the POPI for a longer term shall lead to the POPI having absolute control over financial and business matters of the OFPO.
- ❖ Appropriate policy prescriptions may also be made in the scheme guidelines to prevent vested business interests of POPI in the business of the OFPO (Uttariya PCL and Sakhi Saphalya PCL). This would also help in overcoming the challenge of member vs worker dilemma in the OFPO as well as pre-empt the tendency of POPI to depend on the OFPO for its survival.

- ❖ Suitable clauses shall be introduced in the scheme to ensure that the financial management and accounting of the POPI and OFPO are not inextricably intertwined (Uttariya PCL and Sakhi Saphalya PCL).
- ❖ It may also be insisted that the BoD of OFPO has adequate representation of all the clusters of the OFPO on a geographical basis as well as Directors with the relevant expertise. Policy may also consider including appropriate clauses to avoid Directors not connected with the activity of the OFPO (as in the case of Sakhi Saphalya PCL, Dharwad – promoted by IDF SHG Foundation)
- ❖ A more rigorous mechanism of periodic monitoring and visit may be devised to identify critical gaps and to suggest timely corrective measures.

4.2.2 Training, capacity building and skill upgradation

- ❖ Intensive capacity building and skill training programmes may be organized by the POPI and OFPOs to address the critical awareness gaps observed at all levels of OFPO and POPI.
- ❖ The capacity building programmes of the BoDs and members of OFPOs shall be customized to inculcate a sense of ownership and belongingness among members.
- ❖ Capacity building support may be provided for skill enhancement of OFPO members, acquaintance with latest technology and design upgradation, quality standardization protocols etc.
- ❖ Training may also be imparted to OFPO BoD and members on managerial, governance and financial aspects.

4.2.3 Role clarity and exit strategy for POPIs

- ❖ POPIs shall be sensitized on their roles and responsibilities for extending necessary handholding in adequate measure to the OFPOs, in a such a manner that the facilitation does not lead to dominance and exploitation of the artisans and members in a different way.
- ❖ The POPI shall desist from the practice of deputing their staff as CEO and administrative staff of OFPO over a longer term.
- ❖ The POPI shall avoid having vested business interests in the business of the OFPO and desist from depending on the OFPO for its survival.
- ❖ The POPI shall ensure that the financial management and accounting of the POPI and OFPO are not inextricably intertwined. The POPI shall desist from maintaining common books and accounts.
- ❖ The POPI shall submit a clear exit plan to NABARD as per which it withdraws at the end of the specified period, after necessary handholding to ensure that the OFPO is capable of managing its affairs independently.

4.2.4 Strategies for technology upgradation and marketing tie-ups

- ❖ Considering the far-reaching socio-economic benefits of bringing rural artisans and weavers into the fold of collectives, the Government may recognise OFPOs as eligible

entities for support under its developmental programmes and schemes for technology upgradation, procurement and marketing in the MSME sector.

- ❖ Recognising the need for more investment, innovation, and institutional support to enhance the potential and performance of the non-farm sector in India, the Government may consider devising suitable scheme for assisting technological upgradation of OFPOs (on the lines of the credit-linked scheme viz., PMFME).
- ❖ POPI shall encourage the participation of more educated youth in promotion of OFPOs by way of startups to bring in innovations and digitisation of value chain activities of the OFPO.
- ❖ Government may consider OFPOs as eligible entities for placing bulk orders for procurement of various products. The Local Governments may also extend support to OFPOs for forging local marketing tie-ups.
- ❖ The POPI shall facilitate marketing convergence of OFPOs with the specific trade/industry related bodies.

4.2.5 Strategies for business expansion through credit linkage

- ❖ The OFPOs shall thoroughly review their initial business plans, identify the shortcomings in the projections made and refine the same considering the ground realities and the potential for business expansion, with gradual growth in annual turnover. The revised business plan shall clearly lay the roadmap with business projections for a period of at least three years, indicating the sources of funds, including share capital mobilization, support under Government schemes and external funding by financial institutions.
- ❖ The revised business plan of OFPOs shall be periodically reviewed at the district level by a Committee comprising of DDM, LDM and Government Department concerned (MSME/DIC/KVIC).
- ❖ Appropriate strategies by the POPI and the OFPO for skill enhancement and technology upgradation, alongside share capital mobilisation would also help address the twin issues of low demand for credit and poor credit worthiness.
- ❖ The Government may consider a scheme for providing equity grant support to OFPOs also on the lines of the scheme available for FPOs, in order to improve the capital base of nascent OFPOs and increase their credit worthiness. The scheme may be linked to the performance of the OFPO in terms of key deliverables under suitable parameters, as identified by NABARD.
- ❖ Banks may be sensitised (at the district and state levels) about OFPOs and the need for supporting them for strengthening the non-farm and MSME sectors. Banks may extend long term investment loans to OFPOs for setting up requisite infrastructure in form of godowns for storage of raw material, semi-finished and finished stocks, purchase and installation of machinery and equipments, sales depot, dye-houses and mobile sales van. Suitable loan products may be designed for extending working capital requirements of OFPOs.

Annexures

Annexure – I

Questionnaire for POPI

Time:

Date:

a) Name of POPI	
b) Name of POPI resource person	
c) Kind of POPI(NGO/govt inst./bank etc)	
d) Conducted baseline survey for cluster identification	
Mobilization of members yes /no	
e) Activities done for capacity building(training/visits)	
f) Training for BOD of OFPO yes /no	
g) Training to CEO of OFPO yes/no	
h) Basic facilities given to concerned OFPO	
i) Prepared organization chart for OFPO yes/no/helped	
j) Provide facilities in credit and market linkages to OFPO	
k) Assistance in business plan preparation yes/ no	

- 1) Did you assign local resource person to the OFPO for providing training to member members?
- 2) Have you provided any fund for assistance to the OFPO for grading of products?
- 3) Have you provided any assistance for branding and retail marketing support to the OFPO?
- 4) Are aware of the recent schemes available for the promotion of OFPO s/members? If yes what are they?
- 5) Any other relevant information/feedback/suggestions/expectations?

Annexure II

Questionnaire for OFPO

1) General Aspects

Date of Interview	
Time of Interview	
Place of interview	
Name of POPI	
Address/Location	
Name of the OFPO	
Address/Location	
Date of Incorporation of OFPO	
Major activities proposed by OFPO	
Name of the CEO	
BOD strength	
Number of men & women in BOD	
Number of Political leaders/retired officials in BOD etc	

2) Organizational structure of OFPO (Chart if any)

3) Operational aspect of OFPO

- Management related aspects

a) Election of BOD	
b) Meeting of BOD(frequency)	
c) Conduct of AGM	
d) Compliance to statutory requirements	
e) Details of audit of BS/PL statements	
f) Services of CA/CS availed - yes/no	
g) Total membership of OFPO <ul style="list-style-type: none"> 1) women members 2) small and marginal members 3) SC/ST members 4) others 	
h) List of shareholders and their database available (yes/no)	
I) Whether share certificate issued to all the shareholders	
j) Date of last membership	
k) Authorized capital OFPO (Rs lakh)	
L) Paid up capital of OFPO (Rs lakh)	

- **Infrastructure related**

a) Office of OFPO-owned /rented	
b) Computerisation/MIS	
c) Details of basic infrastructure	

- **Capacity Building related**

a) Details of training received-BOD/ members	
b) Details of exposure visits arranged by POPI/OFPO for members	

- **Business related aspects**

a) Business plan prepared(yes/no) If not mention constraints	
b) Details of activities undertaken (backward linkages Forward linkages)	
c) Any value addition activities undertaken. What are they?	
d) Marketing strategy adopted/ marketing technique used for sale of products	
e) Is there grading facility	
f) Pricing mechanism	
g) Branding done for value added products. If yes specify the brand name and product	
h) Problems facing when moving from bulk marketing to retailed brand marketing	
I) Method of aggregation of products from production units to market details of transportation facilities and whether it is free or not	
j) Monthly turnover of the OFPO	
k) Annual turnover of OFPO (2016-17)	
l) Projection for current year	
m) Details of support availed from Central/state govt/other institutions/agencies 1) Technical 2) Financial-credit/grant	

Annexure – III

Questionnaire for CEO of OFPO

a) Name of the CEO	
b) Age of the CEO	
c) Date of appointment of CEO	
d) Contact no of CEO	
e) Qualification of CEO	
f) Availability (part time/ full time)	
g) Previous Experience/occupation	
h) Remuneration	
I) Details of specific training attended for CEO	
j) Your interest to be CEO (passion/profession)	

- 1) What is your role as a CEO in
 - a) management of day to day affairs
 - b) facilitating business activities of OFPO
 - c) any other activities
- 2) Whether the progress or development of OFPO are as per the action plan drawn?
- 3) Are you aware of the various support/schemes/assistance available for OFPOs/member members from govt/others
- 4) What are the schemes that you provide to member members?
- 5) What are the problems that you face in increasing the number of members?
- 6) Are you happy with the performance of member members, BOD? If not please mention?
- 7) What are the statutory returns that you send to ROC and are you able to send it properly?
- 8) What are the services and activities that you can engage as per the documents/Have you entered in to all of that?
- 9) Will you leave if you get another opportunity?
- 10) Whether you are related to any of the board of directors?
- 11) What are the strategies used when there is shortfall in production and when there is overproduction?
- 12) How many times the CEO has been changed?
- 13) Any other relevant information:

Annexure – IV

Questionnaire For Board of Directors

a) Name of the BOD (individual)	
b) Age profile (range also)	
c) Profession for last 5 years	
d) Regular participation for AGM (yes/no)	
e) attended training modules previously	

- 1) Do you sell your products through the OFPO itself?
- 2) What is the method used in selection of board of director?
- 3) Are you happy with the method used in selecting BOD? any suggestions?
- 4) What are the responsibilities of a Board of Director?
- 5) What are the criterion used for selecting CEO?
- 6) While taking major decisions, do you consult with member members?
- 7) How do you adjust when there is a short fall in production or over production?
- 8) Are you happy with the working of present CEO? Any suggestions ?

Annexure – V

Questionnaire For Members

a) Name of the member	
b) Age of the member	
c) Educational level	
d) Social group	
e) Income status	
Main Occupation	
Other activities if any	
f) Do you visit OFPO office/centre (no)	
g) Services availed from OFPO	
h) Problems faced before being the member of OFPO	
I) Do you get regular training on farming methods from OFPO officials	

- 1) Do you get better price for your products through OFPOs?
- 2) Explain about the ease of production- transaction cost now and before?
- 3) What is your production level per month or half year basis ?
- 4) Can you tell your activity - productivity now and before?
- 5) What is your income per month now and before?
- 6) What are the services provided by OFPO for technological improvement?
- 7) Do you get any credit services from OFPOs?
- 8) What are the methods used for aggregation and marketing of produces?
- 9) Do you get any schemes assistance available through OFPO?
- 10) What is your opinion about role of OFPO in society?
- 11) What forced you to join OFPO? Friends /officials/ politicians etc
- 12) How long have you been member of OFPO/
- 13) Are you satisfied with the working of the OFPO?
- 14) How did you utilize the trainings that provided by the OFPOs/POPI etc? Examples
- 15) Are you satisfied with the method used in selecting the BOD?



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