Thesis Title:

Marketing of Handloom Sarees in Bangladesh

Thesis submitted to the Dhaka University for the degree of Master of Philosophy in Marketing.

Supervisor:

Dr. Razia Begum

Professor

Department of Marketing

University of Dhaka.

Submitted by:

Hasina Banu

Registration No. - 422

Session - 1999-2000

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Dedicated to

My Parents

Who brought up me with a great care

Marketing of Handloom Sarees in Bangladesh

Certificate that the thesis entitled

MARKETING OF HANDLOOM SAREES IN BANGLADESH

Submitted by me for the award of the degree Master of Philosophy in 'MARKETING' at Dhaka University in beard upon my own works carried under the supervision of Dr. Razia Begum, Professor, Department of Marketing, University of Dhaka and that neither this thesis or any part of it has been submitted before for any degree or diploma anywhere.

....R.Begum 15-8-07.....

Dr.Razia Begum
Professor, Department of Marketing
Supervisor
University of Dhaka.

.......Hasina Banu 15.08.07

Hasina Banu

Acknowledgement

The preparation of this thesis paper took considerable amount of research using both primary and secondary sources of data. Some data contradicted each other; hence cross research was necessary to clarify the contradictions. The report has been based on primary data and secondary data published by the Bangladesh Handloom Board - 2003, Handout of Handloom and Silk Expo-1990, Souvenir of Bangladesh Handloom Board-2003, BBS, Monthly Management Information Report of Handloom Board and their website. Collecting the data was a tedious task. In spite of the difficulty associated with the writing of the thesis paper we did come across a lot of remarkable statistics and data. Hence working on this thesis paper was an enlightening experience.

I would like to thank Professor Dr. Razia Begum for providing me the opportunity to work on this thesis paper. I would like to thank those people who are involved in the business of handloom saree for giving me information and data. My heart felt thanks go to the authority of Handloom Board of Bangladesh. My special thanks go to Liberian of BHB library for his cordial help. I would also like to thank those honorable people who engaged in the business of handloom sarees. I am indebted to those writers whose works help me immensely to conduct this research work.

Date: 15.08.07

Hasina Banu

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Abstract

The main objective of this thesis paper is to analyze the present marketing patterns, problems and prospects, imperative and effective steps of Govt. and NGO bodies. Findings of the survey are discussed briefly. The survey covered seven district samples mainly including Narayanganj, Tangail, Dhaka and Comilla. It has been found that there are various type of markets for handloom sarees. It is interesting that 91% of the producers own their family business and 84% of them are involved for more than 10 years. It is mentionable that the marketing cost of handloom sarees is not high rather the producers use the direct channel to reach retailers (90%). Among the handloom dress users 81% prefers sarees. Usually Jamdani (Tangail, Nawapara) sarees 42%, Katan/Benarasi 34%, Kanchi baran 11% and others 13%. But the marketing system of handloom sarees speaks more of its inherent weakness than strength. Because there are hardly mentionable marketing strategies such as lack of selection of the target market and inability of popularizing the products, absence of modern sales techniques etc. Though it has a number of limitations but it has a bright prospects.

In this paper, I made a general discussion, significance of the study, the objectives of the study and review of the existing literature in chapter one. Chapter two deals with methodology, source of data and analysis procedure with limitations. Chapter three deals with handloom markets where several handloom saree's description has been given. This chapter also discuss the marketing activities of sarees in Bangladesh. Chapter four deals with the details marketing patterns and business opportunity of handloom sarees in the competitive market. Chapter five focused on the challenges that are faced by the handloom industry and initiatives that are need to be taken to overcome the challenges for the betterment of this industry. Chapter six focused on cost analysis of one pattern of handloom Sarees, Sales techniques of retailers and impact of new design and fashion of hanloom sarees in the market.

Analysis of consumer behavior and their buying attitude regarding handloom sarees have discussed in chapter seven. From the study, it has been found that the Narsingdi consumers have the highest preference (75%) for handloom sarees. Backward linkage is essential for the handloom industries. Chapter eight deals with importance, demand for linkage industrial products. The marketing of handloom sarees in Bangladesh faces lots of constraints like inadequate marketing facilities, lack of new design and designer, lack of working capital, frequent price fluctuations, the presence of low prices uniform synthetic and mill made sarees which are creating competition in the market. And also technological constraints, significance of sub sectoral conflicts are discussed in chapter nine. In chapter ten, guidelines for future policies and programs in our country in case of handloom sarees are discussed. Concluding remarks is arranged in chapter eleven. Bibliography and three sets of questionnaire is attached at the appendix of this paper.

Abbreviations

BHB- Bangladesh Handloom Board

BTC- Bangladesh Textile Mills Corporation

TCB- Trading Corporation of Bangladesh

BSIC- Bangladesh Small Industries Corporation

BSCIC- Bangladesh Small and Cottage Industries Corporation

BJSSS- Bangladesh Jatiya Samabaya Shilpa Samity

BAMU- Association of Manufacturing Units

BYMA- Yarn Merchants' Association of Bangladesh

BCCI- Bangladesh Chamber of Commerce and Industries

KSSS- Kendriya Samabaya Shilpa Samity

XPB- Export Performance Benefit

NDSY- New Distribution System of Yarn

RMG - Ready Made Garments

WTO - World Trade Organization

MEs - Medium enterprises

L/C- Letter of Credit

WES -Wage Earners Scheme

EPB -Export Performance Bureau

ITC -International Trade Centre

BIDS -Bangladesh Institute of Development Studies

SRID - Studies on Rural Industries Development

EDBM- Entrepreneur Development and Business Management

CHAPTER ONE

Introduction

1.1 Introduction

The Bangladesh is a land of cottage industries. The tradition and heritage of our Handloom industries were famous all over the world. Among the products of handloom industries, the handloom sarees occupy the largest portion. In our rural and national economy the sarees play a vital role. The advancement of technology in production process, the traditional manufacturing activities died out in many countries. The handloom is one such manufacturing activity which had been only source of cloth supply to the teeming millions from time immemorial in Bangladesh is now extinct in our country with the advent of modern sector of the handloom production. Jamdani fabric, the product of handloom was a symbol of Bangladeshi and culture heritage. The level of artistry, intricacy achieved in handloom fabric is unparallel and beyond the scope to modern machine. The handloom can meet every need from exquisite fabrics popular items of daily use. The handloom sarees has a unique position in national economy. At present this meets 40% of our total cloth demand. It constitutes 63% of our domestic production. Near about 1.5 million people are engaged in this sector which accounts one third of the countries' total employment. Its contribution to the GDP is estimated at around 15% of share of the entire manufacturing sector. Yearly value added of this sector in our economy is about one thousand core taka.

A man power of 1.5 million weavers, dyers, hand spinners, embroiderers and allied artisan have been feeding their creative skill into 0.50 millions looms to produce more than 720 million meters of' fabrics. Production of these handloom fabrics is diffused in numerous production centers across the countries which are linked by a network of primary, secondary and central markets.

Marketing of handloom sarees is mainly linked up with production lines at the grass root level. Various studies on marketing of handloom sarees emphasized that market constraints is a major deterrent to its development though the sector has the capacity to maintain a dominant share both national and international market. It is understood that the present state of affairs of marketing of handloom sarees its weakness, challenges and strength.

In fact, in the era of science and technology we don't have effective means for providing market information to the weavers about changes in consumers demand; design of fashion and to improve design and standard of sarees.
There is no organized marketing system for our handloom sarees and this problem shaken the opportunity to develop the handloom industries due to inadequate marketing system. In fact, there is no effective means for providing market information to the weavers about changes in customer demand design of fashion and also technical know-how to improve the design and standard of sarees.

Open market economy opens the close door of the world market before us. It is great opportunity for us. But it is competitive. This market opportunity could only be availed through developing market efficiency. Open market system is not only an opportunity but also a challenge for our handloom sarees. We should have all sorts of preparation to survive in the domestic as well as foreign market. In this study an effort has been made to identify the inherent weakness of marketing system of handloom sarees. Not only market weakness but also the other deficiencies which shake the viability of the handloom sarees, we think if we are able to explore the problems existing in this sector then we could formulate policies, market strategies and action plan to improve present situation in the market of handloom sarees. But all the solutions come when the problem is studied accurately and properly. Keeping this in mind we made a journey to find problems in marketing process of handloom sarees.

1.2 Significance of the study

The known history of the handloom industry dated back to early 17^{tn} century, when the handloom in the area now comprising Bangladesh attained world wide fame for quality fabrics especially the sarees. The industry used to produce many specialized fabrics including world famous moslin which catered for both home and foreign market.

Handloom industry at present shares 63% of the total cloth production of the country –meeting about 50% of local demand. About 750 million meters of different types of cloth in the form of sarees, lungi, bed sheet, curtain shirting grey cloth etc. in intricate design and texture are woven in handlooms. As it said before that the moslin a kind of handloom sarees was famous over world for its fineness. But with the course of time now it is a history. Yet in this era of science and technology, the handloom sarees has a great demand among different classes of people not only in home country but also in the abroad. On the other hand about 1.5 million people are involved in this sector to earn and to feed their family members. And thus this sector has created a great employment opportunity. In Bangladesh handloom Industry is the largest and most important cottage industry which has a vital role in the rapid economic growth. At present handloom sarees open market economy opens the close door of the world market before us. It is great opportunity for us,but it is competitive. This market opportunity could only be availed through developing market efficiency. Open market system is not only an opportunity but also a challenge for our handloom sarees. We should have all sorts of preparation to survive in the domestic as well as foreign market. In this study an effort has been mode to identify the inherent weakness of marketing system of handloom sarees. Not only market weakness but also the other deficiencies which shake the viability of the market of the handloom sarees, we think if we are able to explore the problems existing in this sector then we could formulate policies , market strategies and action plan to improve present situation in the market of handloom sarees. But all the solutions come when the problem is studied accurately and properly. Keeping this in mind we start a journey to find out the problems in marketing process of handloom sarees. After completion of the research work it is expected that we will be able to identify that this sector has a great potentiality for our economy.

Formulating guidelines on the need basis we require current and specific information about the market of the handloom sarees. I hope that this work will help the policymakers to formulate the policy for improvement of the handloom industry.

1.3 Objectives of the study

The traditional handloom sarees, which has survived to a significant extent, is officially described as having experienced a 'retarded growth'. The reports of the newspaper describe the handloom saree industry as dying in face of many odds. It is true that the handloom saree industry has been facing many structural problems; even than it has experienced some growth over the time. The present study is intended to examine marketing problem by analyzing various aspects of the markets of the handloom sarees and to look into the possibilities of overcoming the adverse situation.

The main objectives of this study are as follows:

1. To know the types of handloom sarees and its different markets.
2. To analyze the marketing pattern of handloom sarees in the country.
3. To analyze the marketing efficiency and cost of handloom sarees.
4. To find out the impact of new design and fashion of sarees.
5. To analyze the consumers behavior and buying attitude.
6. To find out the problems of marketing of handloom saree in Bangladesh.
7. To provide guidelines for future policies and programs in the country in case of handloom sarees.

1.4 Review of the relevant literature

It is quite unexpected that there are few works done on the marketing of handloom sarees in Bangladesh. Though this sector is economically viable and the handloom sarees has a great potentiality in the market economy, there are very few research works conducted even today especially on handloom sarees.

There are, however, some works done by Bhattacharjee and Khaled (1999), Miyan (1979). All these research works were conducted on the marketing pattern problems and the census of handloom products of Bangladesh. They made some passing views and comments on it. On the other hand Latif M,A. (1997) conducted a research work on Handloom Industry of Bangladesh in 1997. Handloom sarees is one of the handloom products in Bangladesh. So these studies were failed to show the real problems on the marketing process of handloom sarees.

R. Begum (1987) was conducted a short research work on "Marketing of handloom sarees in Bangladesh." it was the only work so far done specifically on the marketing of handloom sarees in Bangladesh. But the scenario of world market and domestic market has been changed. The advancement of science & technology has brought about revolution not only in test but also in fashion and design. But no new research work has been done on the marketing of handloom sarees in Bangladesh with the change of time. So there is a gap between the previous work and present situation of the market. The ethics and values of market has been changed. New policies and strategies are needed to be explored in the marketing pattern of handloom sarees keeping patch with the recent change. On the other hand there is a time gap of twenty years, the first research work has been done by R.Begum(1987) on specific field of marketing of handloom sarees with the present. The problems identified by previous researchers in marketing of handloom sarees are not only the problems but also there are some new challenges that shakes the market of handloom sarees. It is necessary to discover the ways and means to face the new challenges of the marketing of handloom sarees not only in domestic market but also in foreign markets.

1.5 Area of the study

This report will generate information in all the areas of marketing aspect with special emphasis on present marketing scenarios and its related activities. This report covers the following areas-

Hadloom Market:

Handloom market and expected market

Product:

Jamdani

Banarasi

Katan

Kanchibaran

Saree Superfine

Saree fine

Saree printed

Saree medium

Saree coarse

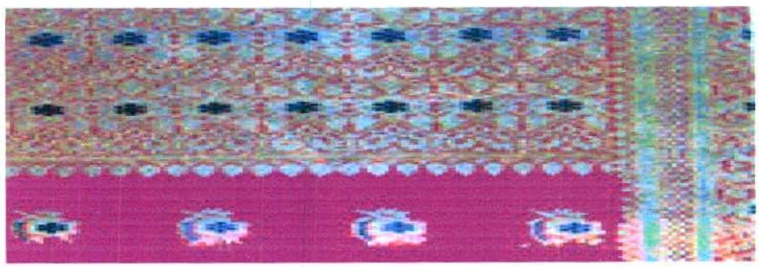

Figure 1: Demo of Sarees

Price:

Consumer perception about price.

Price of different brand product.

Promotion:

Channel promotion

Place:

Urban and suburban scenarios

CHAPTER TWO

Methodology

2.1 Introduction

The study used both exploratory and descriptive research method. The descriptive research has been utilized where in characteristics of the consumers, Organizations and theirs perceptions regarding handloom sarees are discussed. The informations were collected through primary survey and also from observations of the researcher. The exploratory research is also carried out at the time of analysis of qualitative primary data. Secondary sources has been also used for analyzing the data.

2.2 Sources of Data

Data used in this thesis paper has been collected from the following sources:

1. Primary sources
2. Secondary sources

A. Primary Sources of data:

Actually sample bases were producers, middlemen and consumers and survey was conducted through the pre-designed questionnaires. There were also personal interviews with the handloom experts and prominent producers.

Sample has taken from various districts----

Narayanganj	Dhaka
Comilla	Narsingdi
Tangail	Pabna
Barisal	

These all district were chosen because of the easiest and convenient movement to the places and sample availability is also very common in those places.

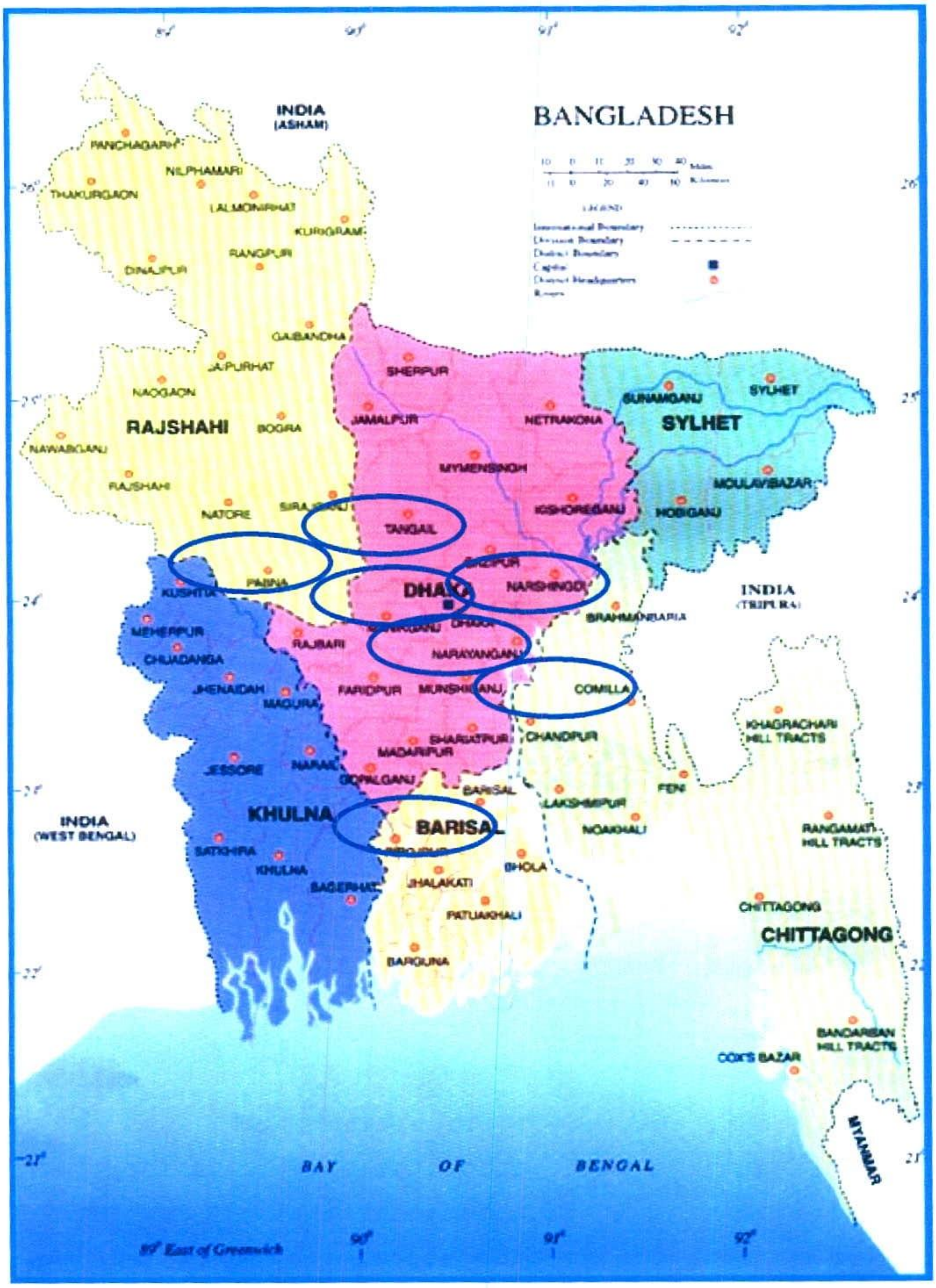

Figure 2: Primary sources of data

B. Secondary data sources

- Bangladesh Handloom Board
- Handout of Handloom and Silk Expo-1990
- Souvenir of Bangladesh Handloom Board-2003

- BBS- Bangladesh Bureau of statistics
- Monthly Management Information Report of Handloom Board
- Handloom Industry of Bangladesh by Muhammad Abdul Latif (1947-90)
- Marketing of Handloom Sarees in Bangladesh, The Dhaka University Studies, R. Begum (1987)
- Website - BSCIC
- Internet

2.3 Data collection method:

The following methods were used for collecting data.

A) Personal interview Method:

personal interview was conducted in home, in production unit and also in different shopping mall.

B) Observational Method:

personal observation and field visit was done to collect the data. For this purpose Mirpur Jamdani,Banarashi polly,Nawapara Jamdani polly in Naryngong and Tangail saree polly was visited.

2.4 Data Analysis Method:

For the data analysis the statistical tools were used like mean, median, variance etc. Graphs and charts have been also used for data analysis purpose.

- **Sampling Method:**

The study utilized judgment and convenient sampling method. Producers, middlemen and consumers who easily reached have been selected for the study.

- **Sample size:**

Samples were selected on random basis among the producers, middlemen and consumers. In this study 60 producers, 40 middlemen and 120 consumers have been selected.

2.5 Scope of the study:

The study is limited to the marketing of handloom sarees of the seven districts. The survey was done on producers, middlemen and consumers of handloom sarees. The consumers were the existing consumer of handloom sarees.

2.6 Limitations of the study:

1. Lacking of existing data relating to the study
2. Unavailability of current statistics or data on handloom market
3. Vague and wrong information due to illiteracy of the weavers
4. Sometimes the reluctance in providing information creates problem
5. Sufficiency of money is also another constraints

CHAPTER THREE

Handloom Markets

3.1 Introduction

Handloom is a loom powered by hand.

The arduous and authentic work of the weaving craftspeople, a hand-loomed saree takes days to complete and each thread is meticulously and patiently laid against the next in the process. At sometimes 60 to 100 threads per inch - imagine how long that would take!

Historically handloom has got its predominance and heritages in Bangladesh. The tradition of weaving cloth by hand constitutes one of the richest aspects of Bangladeshi culture and heritage. The level of artistry and intricacy achieved in handloom fabrics are unparallel and unique. The handloom can meet every need from exquisite fabrics of daily use. The industry has displayed innate resilience to withstand and adopt itself to the changing demand of modern times.

Handloom sector in Bangladesh consists of more than 0.183 million handloom units with 0.505 million handlooms and about 1 million handloom weavers of which about 50% are female worker. A manpower of about one million weavers, dyers, hand spinners, embroiderers and allied artisans have been using their creative skills into more than 0.30 million active looms to produce around 620 million meters of fabrics annually. Production of these handloom fabrics is diffused in numerous production centers all over the country which are linked up by a network of primary, secondary and central markets.

It shares 63% of the total fabric production in the country designed for home consumption, meeting 40% of the local demand for fabrics. Besides, it provides employment opportunities to a million rural people, 50% of which are female. Another half a million people are indirectly engaged in the industry. It contributes more than 10 (ten) billion taka annually to the national exchequer as value addition.

With the advances in production technology, the traditional manufacturing activities in textile sector have died out in many countries. One such manufacturing activity is the handloom which had been the only source of cloth supply to the teeming millions from the time immemorial. This industry died out in many countries with the advent of modern power loom production processes. But in Bangladesh, this traditional handloom industry not only has survived but also has shown a salient growth over time and has occupied an important position in the manufacturing sector, although it has been facing many structural constraints.

The known history of handloom industry dated back to early 17th century, when handlooms in the area now comprising Bangladesh attained worldwide fame for quality fabrics. The industry used to produce many specialized fabrics including the world famous 'Moslin' which catered for both home and foreign market.

Handloom industry at present shares 63% of the total cloth production of the country meeting about 50% of local demand. About 750 million meters of different types of cloth in the form of saree. Lungi, bed sheet, curtain, shirting, grey cloth, etc. in intricate designs and texture are woven in handlooms.

3.2 Position of Handlooms in the Economy

The handloom industry occupies a key position in the national economy of Bangladesh. Currently, the domestic production of handlooms accounts for 77 per cent of the total cloth production and for about 69 per cent of the total cloth availability in the country. In respect of employment, too, this industry plays a very important role. Nearly one million people, accounting for about one third of the country's manufacturing employment, are directly engaged in its production activity, and also a large number of people are indirectly employed in yarn and cloth trade linked with handlooms. Its contribution to the GDP is estimated at around 15 per cent of the share of the entire manufacturing sector.

3.3 Classification of handloom sarees and its different markets

a) Various types of handloom sarees

It is difficult to distinguish handloom sarees for instance, a classified handloom saree which may be considered necessary to a particular person or class, for reasons of use; patterns; fineness or cultural reasons, may be treated as unnecessary to another person or class. This table below shows the various types of handloom sarees.

Table 1: Various types of handloom sarees with their relevant description and production place.

cotton, silk, silk and cotton in various motifs, decorated.)	wear in Bangladesh, Nepal, India, and to some extent of Pakistan. The unique feature *of* the silk is that it is only produced in Bangladesh by a special group of weavers reportedly; Zamdani sarees find their way to Nepal via India through unauthorized channel. Zamdani saree which is also popular in foreign country needs special assistance in terms of organized credit facility, design and development. input supply. production and marketing help.	
Saree superfine	These sarees are of fine quality and designed which is widely used b% the upper class and middle class women of all age groups.	Tangail, Joypara, Pabna, and comilla.

Other sarees	• Saree fine: Varieties *of* color/ plain/ decorated/ woven design • Saree printed: ed/fine/medium/ coarse saree • Saree-medium: Varieties color/ plain/ decorated/ woven design • Saree-coarse: deferent color, plain, These are above of all quality sarees and used by all types of women. And we can identify the market of these sarees as one of the largest market in comparison with any other product that exist in Bangladesh.	Dhaka, Narsingdi. Narayangong, Pabna, Kustia. All over the Country All over the Country

Source: Begum Razia, Marketing of Handloom Sarees in Bangladesh (1987), Dhaka University Studies, Part – C, Vol. S(2), P. 79-81.

b) Handloom market- In case of sarees

Handloom market is not only the oldest but also the largest in our country, It developed over times in an unorganized way and without regard to the marketing discipline, which we now understand as the modern marketing concept.

Classification of handloom sarees market:

I. Rural: This comprises the largest segment of rural level constituting about 70% of overall handloom market.

II. Semi-urban: This is the markets which developed in the suburban side and intend to cover sub divisional and district level market. It is also large market.

III. Urban market: This sophisticated segment encompasses Dhaka metropolitan and other major cities including Chittagong Rajshahi, and Khulna.

These areas accommodate consumers of various income Ievel, social status, cultural background and life styles. The shopping list of the particular consumer variables includes items *of* both necessary and unnecessary nature. Handloom sarees urban markets are Katan, Zamdani, Tant. Nokshi. B.T. Zamdani, Garad silk, Medium, and Superfine etc.

IV. Sophisticated traders market: Taking this into consideration a new and growing number *of* sophisticated traders have developed in the post residential areas *of* the major cities, mainly at Dhaka. At Dhaka city these type of shops are located in the developed residential areas like Dhanmondi, Baily road, Moghbazar, Eskaton, Gulshan, and Banani.

The sophisticated natures of these traders are

a) Most of these traders are educated;

b) These traders usually develop various number of attractive design and then they supply these designs to weavers;

c) These traders keep their selling centers clean and well decorated. Almost every shop owners use air conditioning system in their shops. They usually appoint educated sales personnel and recently smart and fair looking sales girls get preferences in this profession.

d) These traders expressed the idea that some sort of support is needed for the weavers to reduce the ultimate price of the handloom sarees, and these ideas are:

- Inputs of raw material at optimum price
- Using appropriate technology
- Financial and technical support
- Should provide the facilities to market their products
- Provide assistance in infrastructural development
- Protection of the market by some sort of law.

3.4 Analysis of Handloom Markets:

3.4.1 Present marketing patterns

Although our handloom industries is the largest among the all weaving industries in our country from the ancient times but the marketing of the finished handloom sarees has not been yet effectively organized.

Under the existing unorganized marketing channel, which is widely dominated by the middlemen, producers, and consumers are being affected seriously. The poor weavers are deprived of due price for their products where as consumers are charged with higher price of the same by those intermediaries and in this way they take away the profit margins of the poor weavers in the process of marketing.

The present marketing channel of handloom sarees in Bangladesh is not so appropriate and traditional minded. In between wholesalers, retailer, and producers are exits a group of intermediaries, locally known as Mahajans who extend credit to the producers, wholesalers, and retailers and exploit them in the process of production and marketing. Mahajans function is sometime like that of a catalytic agent who facilitates bringing wholesalers/ retailers and producers together. Thus it appears there are mainly three groups of people who are involved in the different stage of marketing. They are wholesalers, mahajans or dalals, and retailers.

Figure-3 The skilled weaver is working at Noapara in Narayangonj

The normal channels of distribution may thus illustrate as follows:

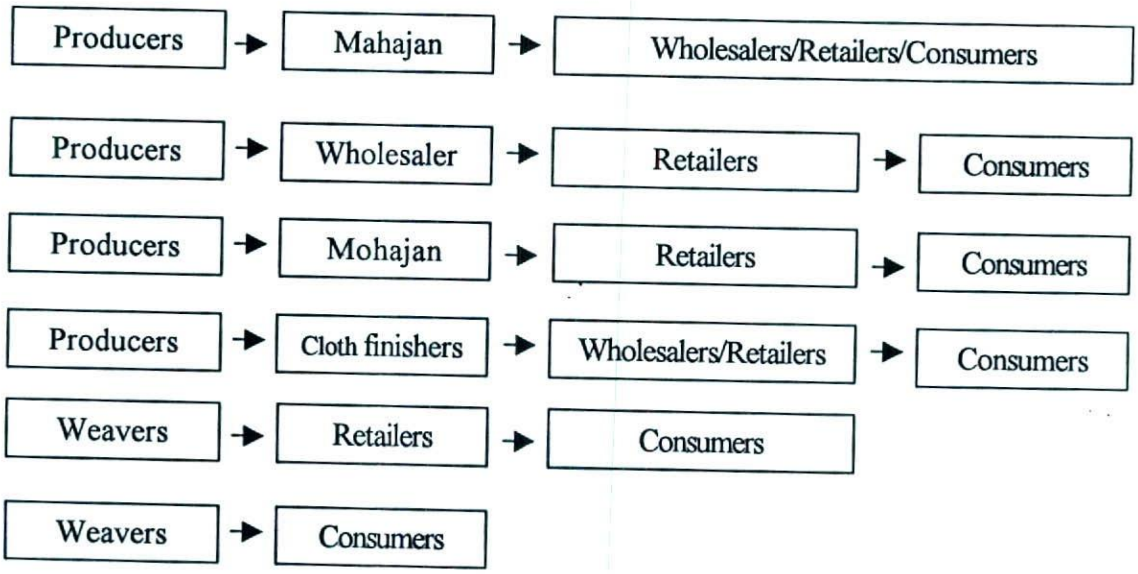

Figure 4: Channel of Distribution

3.4.2 System of Yarn Distribution

The supply of yarn in Bangladesh comes from two sources: the domestic spinning mills and imports (including the import through illegal channels). It is then distributed to the weavers (and to other users) usually through a chain of intermediaries consisting of the wholesalers, the retailers, and/or the local *mohajans.* The structure of the yarn distribution system has been, in some ways, different between the pre-liberation and the post-liberation periods, which merit separate treatment.

- **Pre-liberation Period**

At least for seven years following partition in 1947, certain instability had existed in the yarn market of Bangladesh. The situation returned towards normal from around the mid-fifties, since when almost the entire quantity of yarn was supplied by the mills of Bangladesh and Pakistan (West).

The cotton mills of the then Pakistan developed under private ownership. The entire yarn business was also controlled by private traders. The mills used to appoint their sole distributors (wholesalers) against a sizable earnest money. It is reported that, at some point of time within this period, there were around 200 such wholesalers concentrated mainly at Narayanganj, with a few at other important centres like Narsingdi, Tangail, Pabna, Ramchandrapur, and Chittagang who controlled the yarn business (Hossain and Mondal: 1983, p. 44). In fact, Narayanganj had been the nerve centre of yarn trade since the pre-partition days, and the wholesalers happened to be from the traditional trading class with long-standing business experience (Hossain and Mondal: 1983, p. 44).

These traders used to maintain direct links not only with the domestic spinning mills to deal in local yarn but also with that in West Pakistan for direct import. Sometimes the West Pakistani mill-owners (who had some mills in Bangladesh also) used to ship the yarn themselves from Karachi (the only seaport in West Pakistan) and supplied it to the doors of the wholesalers at Narayanganj (Hossain and Mondal: 1983, p. 44). The market was more or less competitive, especially during 1960-70, and the transaction used to take place often on credit. "This institution had developed itself on a firm basis that there was practically no bad debt or lack of trust. Terms used to be settled mainly over telephone quite informally." (Hossain and Mondal: 1983, p. 45).

The wholesalers used to pass the yarn on to the retailers, often on credit to the credit-worthy retailers. The large weavers also used to buy their yarn from the wholesalers. At this level of sale, the volume of trade was quite sizable for each trader, and the margin of profit varied from 1.0-1.5 per cent (Hossain and Mondal:

1983, p. 45). The retailers, as of today, were located at the main market places in the proximity of the main centres of handloom production. These retailers were the last link for the supply of yarn along with diverse other inputs into cloth making, such as dyes and chemicals, to the common weavers. At this level too, both cash and credit sales were prevalent, the latter being more common. In the cash sales, according to a sample survey conducted in 1962, the retailers' margin of profit varied from Tk. 0.50-1.00 per bundle of yarn (GOEP, EPSIC: n.d., pp. 48-49), which on calculation (taking the price per bundle of yarn into account) amounts to 1.5-2.0 per cent.

It appears from the above presentation that the mills and the intermediate traders played a vital role in supplying yarn to the weavers during the pre-liberation period. But the entire story is not ended here. As it will be discussed subsequently, the lot of the common weavers who, due to financial problems used to purchase yarn on credit, had remained precarious. The traders or local *mohajans* exploited the poverty, dependence, and weak bargaining power of the weavers through monopolizing the supplies of inputs and/or procuring the final products.

- **Post-liberation Period**

As a consequence of the policy shift of the post-liberation government, all large-scale cotton mills were nationalized in March 1972, and put under the sole control and management of the Bangladesh Textile Industries Corporation, BTIC (later it was renamed: Bangladesh Textile Mills Corporation, BTMC). The entire import of yarn was entrusted to the Trading Corporation of Bangladesh, TCB (a state trading agency). The government tried to help weavers in reducing the dependence on the intermediaries by controlling yarn prices and institutionalizing its distribution. But this move created chaos in the post-liberation distribution system. This is discussed phase by phase below.

September 1972 - May 1975. As it has been mentioned already, liberation brought with it an acute yarn crisis. The average wholesale price of yarn had increased by more than 73 per cent during the six-month period from January 1972 to July 1972. Intermediaries took advantage of the scarcity prevailing in the local markets, and raised the prices of both yarn and cloth. But the weavers got little benefit from the increased cloth prices, and were put in great distress by the yarn scarcity. To deal with the situation, the government moved to take control over both yarn distribution and yarn prices. In September 1972, the distribution of all yarns, whether from local mills or imported by the TCB was assigned to the Bangladesh Small Industries Corporation, BSIC (latter it was renamed: Bangladesh Small and Cottage Industries Corporation, BSCIC). The Corporation, which had no previous experience in such a gigantic task, and no storage facilities, soon proved incapable of handling yarn distribution. In these circumstances, the old traders re-entered the scene. The Corporation head-office and its local distributing agencies were under perpetual siege from these intermediaries who used to influence and even force to extract yarn from various echelons of the Corporation (Sobhan and Ahmad: 1980, pp. 345-46). The bonafide weavers were thus deprived, and had to buy yarn from these intermediaries at rising market prices.

At this stage, the Planning Commission in compliance with the request of the Ministry of Co-operatives took the initiatives to include the weavers' co-operatives in the machinery of yarn distribution (Sobhan and Ahmad: 1980, p. 346). As a result of these initiatives, the Bangladesh Jatya Samabaya Shilpa Samity, BJSSS (the appex society of the weavers' co-operatives) was included in the system of yarn distribution in December 1972, and was given 25 per cent of the yarn available for distribution, with BSIC retaining 75 per cent. These proportions, however, were reversed soon so that the BJSSS would distribute 75 per cent of the yarn to the enlisted weavers and the BSIC would take the responsibility of distributing 25 per cent to the hosiery and all other small textile factories including handloom factories of the type owning 15 or more looms (Hossain and Mondal: 1983).

It was expected that the primary co-operative societies would revive and federate at the thana level and that these federations would take the responsibility of lifting yarn from the mills and TCB, and thus would act as wholesalers to the primary societies. *The* primary societies were reactivated, but concurrently there was a mushroom growth of fake societies to reap the benefits of the scarcity premia on yam prevailing in the market.

The federations of the genuine societies lacked logistics and facilities like storage and even credits. The great majority of the handloom units are small household establishments (having 1-2 looms) who earlier had depended mostly on the yam dealers for working capital credit. Realizing this problem the government, however, worked out a plan to satisfy the working capital needs of the federations, and developed a scheme to use bank-credits for financing the primary societies. But the scheme did not work effectively due largely to the excessive caution adopted by the nationalized commercial banks (all the commercial banks were nationalized in March 1972) in granting loans to these weavers' societies. As a result, the weavers' co-operatives, generally without effective credit facilities could not succeed in managing their share of yarn distribution, although there were some conspicuous exceptions. On the other hand, the BSIC was to distribute yam to the large weavers and other specialized textile factories through their associations which, being new as an association, initially lacked organizational efficiency, and was not conspicuously better at the task (Sobhan and Ahmad:1980, p347)

The system of yarn allocation by the BTMC was such that it tied various federations to particular mills whose output of yarn often happened to be unsuitable with respect to the counts and quality of the yarn required by the weavers of the respective societies. Slight rearrangements from time to time, however, could well have been done to cater to the needs of the weavers, but the system proved inflexible.

All the above factors contributed to the inefficiencies of the related organizations (BHIA and BJSSS) in lifting the yarn from the mills and in distributing it to the weavers. As a result, at the time of persisting scarcities of yarn (and cloth) and rising prices in the market, the stocks of yarn with the mills went on increasing.

As for the fake societies within the BJSSS, the federations tended to be dominated by non-weavers who included politically and locally influential people and the traders (Sobhan and Ahmad: 1980, p. 347). Thus despite government efforts to institutionalize yarn distribution, the scene came to be controlled by the traders. To quote Sobhan and Ahmad:

"The activation of these societies made it possible for persons of influence and/or ingenuity from the dominant groups to lift the yarn. The yarn dealers tended to get back into business by direct infiltration of the co-operatives to extract the scarcity premium from the sale of yarn. Since the dealers continued to monopolize supply of credit, inputs to the weavers and (in some cases) marketing of their finished products, they retained their importance in the system. The only difference was that they shared some of the surplus extracted from the nationalized sector with the weavers and the dominant groups from outside the trade." (Sobhan and Ahmad: 1980, p. 347).

May 1975 - June 1977. Owing to mounting pressure from the BTMC (former BTIC) with a view to clearing the stocks with the mills, a system of decontrol was introduced in the yarn distribution. The BSCIC (former BSIC) and BJSSS were replaced by the new system in May 1975. Under the new distribution system: (i) private traders having valid dealership licences were to be supplied by the mills at government fixed ex-mill prices; and (ii) the weavers were to be supplied directly at the mill-gate on a "first-come-first-served" basis at the rate of ex-mill price plus 10 per cent, upon the presentation by the weavers of licences from the DGI (Chowdhury: 1981, p. 75). Besides genuine traders, the dominant social groups immediately entered the scene by managing fake dealership licences. They used to lift yarn from the mills and sell it to the trading intermediaries on the spot at a margin. On the other hand, the majority of the weavers did not have access to yarn supplies at the mill-gates. It was difficult for the weavers to get registration with the DGI, as the latter maintained strict official formalities in this connection. Even when the weavers could manage licences, they were often unable to lift yarn from the mills owing to their lack of ready money to pay for yarn in cash. The transportation costs involved in carrying to a distance, the small lots of yarn which the weavers could have received from the mill-gates within their small means, was still another reason for not availing of the opportunity. In such cases, the weavers also sold their licences to trading middlemen. Thus an effective private trade regime in yarn was established during this period (Chowdhury: 1981, p. 76).

However, with the introduction of this system, the stocks of yarn with the mills dropped sharply from 12.0 million kgs in 1974/75 to 3.5 million kgs in 1975/76, and further to 1.3 million kgs in the following year (Table 5.6). Thus yarn availability in the local market increased.

The import trade in yarn also moved towards privatization. The private traders were allowed to import yarns below 20's and above 60's (counts) under the Wage Earner's Scheme (WES) from July 1975. Further, the industrial users owning 20 or more looms were side by side allowed to import a part of their own yarn requirement (GOB: July 1975). The total availability of yarn in the local market improved spectacularly in 1975/76.

The direct mill-gate supply to the weavers was stopped in March 1977. The yarns were subsequently supplied only through officially approved traders. Thus the institutional arrangement for yarn distribution was fully replaced by the private trading system.

The import of particular counts of yarn remaining restricted under the WES, and quantity restrictions being imposed on imports by industrial users,[6] the BTMC retained its monopoly position in the country's domestic yarn market. The mills used to supply yarn to the traders at government fixed ex-mill price plus "black" charges, the latter to be allegedly appropriated by the mill and other officials connected with the network of yarn distribution (Chowdhury: 1981, p. 227). Thus the weavers, and consequently, the consumers of cloth were squeezed by the organized forces of the mill management and other functionaries in the system through the intermediate traders. In this regard, Chowdhury has written, "Organized and bitter charges implicating large illegal gains from both genuine traders and men with political clout who managed to obtain fake dealers' licences were being laid at the doors of senior mill management." (Chowdhury: 1981, p. 76). This system, however, was also changed in July 1977.

July 1977 - July 1982. In order to devise an efficient system of yarn distribution, a "Standing Advisory Committee" was formed in July 1977 by the Ministry of Textiles with members from the BTMC, the Association of Manufacturing Units (BAMU), the Yarn Merchants' Association (BYMA), the Chamber of Commerce and Industries (BCCI), the BSCIC, and the BJSSS. Acting on the advice of the Committee, the Ministry of Textiles decided to distribute 50 per cent of the local yarn (BTMC saleable yarn) through the BTMC enlisted tagged dealers (TD) on a monthly quota basis, and the remaining 50 per cent through institutional buyers which would include the BJSSS, the BHIA, and other government bodies or their contractors (for non-handloom use) in the proportions of 46 percent, 30 percent and 24 percent respectively. It was expected that the co-existence of private traders (TD) and institutional distributors would improve the situation of yarn distribution. The task of yarn import and its distribution, however, remained with the private traders and a certain proportion with the industrial users as before.

The BTMC was given the sole authority to select and approve the dealers from amongst the traders licensed by concerned DCs or SDOs. There had been as many as 2,795 approved traders who were tagged by the BTMC to different mills for lifting yarn allotted to them on a monthly quota basis (source: BTMC). These dealers had been selected from different centres of handloom production, and they were supposed to supply yarn to the local weavers, preferably direct or through the local retailers at a margin not exceeding 10 percent above the ex-mill price.

The tagged dealer system, too, did not work satisfactorily for several reasons. First, the dealers, being large in number, used to obtain an uneconomically small allotment of 1-2 bales of yarn each per month and they did not maintain the government regulated sales prices. Second, the mills to which the particular dealers were tagged often failed to supply the right count of yarn actually needed in the respective areas and, therefore, the dealers found a way out by selling the quotas to other trading middlemen on the spot at a margin. Third, the number of selected dealers bore no systematic relation to the number of weavers and looms in the respective areas. For example, the average number of looms covered by a dealer varied from 9 in greater Chittagang District to 319 in greater Patuakhali District (Hossain and Mondal: 1983, p. 146). This was, therefore, very likely to create localized yarn scarcity in particular areas. Fourth, the dealers and the retailers had to sell a significant proportion of the yarn to the weavers on credit, while there was no such provision for credit accommodation by the mills to the dealers. Last, but not least, the infiltration of fake dealers earning illegal gains from the yarn trade persisted, and the "black" charges accruing to the mill and other officials continued in the system. All the above factors contributed to push the actual supply price much higher than the stipulated price at each level of transaction. The role of institutional distributors in combating the situation was not encouraging.

However, certain steps were eventually taken to improve the situation. By January 1979, the licences of 356 (12.7 per cent) tagged dealers were cancelled by NSI and the concerned DCs on ground of business malpractice and/or for failure to lift yarn from the mills for three consecutive allotments. But later, on the recommendation of the Standing Advisory Committee, 1,408 new dealers were selected by the BTMC from some of the districts where the dealer-loom ratio had been initially low as compared with the other districts. The total strength of tagged dealers then stood at 3,847 (source: BTMC). Further, the government had approved a "Yarn Distribution Project" under the Bangladesh Handloom Board (BHB) in June 1979, and in effect, the entire schedule of distribution was revised in August 1979. Under the revised schedule, the BTMC was supposed to allocate the yarn to various agencies in certain proportions such as **BHB** (33 per cent), BJSSS (8 per cent), TD (33 percent), BHIA (9 per cent), and others (17 percent).

The BHB started distributing yarn in 9 centres of handloom production in 1979 within the framework of a two tier cooperative system similar to that in BJSSS. The first tier consisted of the village level Primary Weavers' Societies (PWS) which federated at the district/sub-division/thana level (depending upon the relative concentration of the handloom industry) to form the second tier called Kendriya Samabaya Shilpa Samity (KSSS, or Central Co-operative Industrial Union). It was expected that the BJSSS would not operate where the BHB had taken over the responsibility of yarn distribution to the weavers. Within the BHB yarn distribution project, the function of the KSSSs was to lift yarn from the BTMC mills, and subsequently to supply it to the concerned PWSs, from which the enlisted weavers would take their deliveries.

The BHB co-operatives could not build up their organization on a sound footing and, in addition, they lacked adequate funds for working capital. Financial arrangements were, of course; made with the nationalized commercial banks under a Bangladesh Bank (Central Bank of Bangladesh) supervised credit scheme, but it did not work effectively due to the stringent lending policies followed by the commercial banks. As a result, the BHB yarn distribution program tended to be a failure. The performance of other institutions, too, was not very satisfactory (Hossain and Mondal: 1983, Chapter 4).

The weak organizational and financial base of the institutional distributors, especially of the co-operatives, appear to have been the main constraining factors to their lifting yarn from the mills as well as to its distribution to the users. Their financial difficulties were further accentuated by blocking of huge sums by the mills in the process of yarn delivery, which resulted in higher interest costs to be borne by the institutional agencies. There were other factors as well. The mills often failed to allocate the right count and quality of yarn to the institutional buyers, partly for the genuine reason that they did not produce it, and partly deliberately with a view to manipulating the market by the mill officials in connivance with the traders in order to reap some illegal gains from the yam trade. The traders, being the powerful agents of the BTMC mills and leading financiers to the weavers, had considerable scope for intriguing in the market.

August 1982 onward. In order to ensure regular lifting of yarn and its uninterrupted supply, the BTMC introduced New Distribution System of Yarn (NDSY) with effect from first August 1982. According to the new system, the BTMC decided to appoint 908 Lifting Agents (hereafter called agents) in place of the erstwhile Tagged Dealers, keeping the institutional buyers as before. Under this new system, 20 percent of the yarn was kept as reserved quota for due fast moving yarn, 44 percent was to be allotted to the institutional buyers including BHB, BHIA, KSSS and others, and the remaining 36 percent was to be distributed among the agents (MondaL 1988).

The institutional buyers were to deposit 7 percent of the value of monthly quota of yarn as security money and the agents a fixed sum of Tk. 50,000. The agents were allowed a profit margin of 10 percent over ex-mill price for the distribution of yarn at the level of the end-users. As in the past, the institutional buyers were theoretically not in a position to sell yam in the market as "Not for sale, for use in the factory" were duly imprinted on all sides of the bale of yarn at the time of delivery. Penalty system in terms of money and/or cancellation of contracts was introduced for both the institutional buyers and the agents for failure to lift yarn from the mills.

The importance of institutional media of yarn distribution, albeit, started to fall off with the process of denationalization of the mills since 1982. On grounds of inefficiency of the mills under public ownership, the government decided to denationalize large industrial units including the BTMC mills. By 1987, twenty seven cotton mills accounting for about 45 per cent of the total quantity of cotton yarn produced in the country were privatized. An additional 4 mills were privatized within the next few years. The private sector mills have remained outside the distribution program of the BTMC. All the yarn produced by the private sector mills has since been sold in the open market either through selling agents or through press tender. Consequently, the trade in local yarn by private traders has gained importance.

However, the NDSY had been working satisfactorily until mid1984. But in the wake of liberal import of yarn through XPB (Export Performance Benefit) and unabated continuation of illegal import, market was flooded by foreign yarn, and consequently stocks of yarn piled up at the mill-gates. In order to clear the stocks, the BTMC rescheduled its distribution of yarn effective from the 1st October 1986. The share of institutional distributors to BTMC yarn was reduced to 20 percent (which amounts to

11 percent if we add the yarn of denationalized mills) from the earlier level of 44 per cent.

It follows from the above discussion that, during the post-liberation period, the distribution of yarn by the institutional mechanism as per share did not materialize. In practice, much less of yarn than what was allocated to was lifted and distributed to the weavers by the respective institutions. Often the actual allocation fell short of due share. For example, in the year 1979/80, the share of all the institutional buyers together was 22 million kgs, of which 14 million kgs was allocated to and only 10 million kgs was actually lifted by them (based on, Hossain and Mondal: 1983, Tables 4.1 and 4.2). During the period 1980/81-86/87, the BHB lifted 9-36 per cent of its allocated yarn from the BTMC mills (Bhattacharya: 1988, p. 422).

The above discussion clearly reveals that the entire yarn distribution situation in the post-liberation period was in a state of chaos. During this period, the sources, composition, and the level of yarn supply were erratic, and its distribution inefficient. Frequent changes in distribution system and the inherent weaknesses in the institutional mechanism as well as in the mill management contributed to the inefficiencies. Often the scarcity to varying degrees prevailed in the market, even when there were stocks with the mills. The weavers had to pay premia on yarn, ultimately to be borne by the consumers of cloth.

3.4.3 Yarn Procurement by Weavers

It appears from the preceding discussion that the weavers procure their yarn mostly from the trading intermediaries such as the wholesalers, retailers, and/or the local mohajans, and that the official agencies of yarn supply have been playing a limited role in this respect. The weavers make their yarn purchases both in cash and on credit, depending on their own financial positions and the availability of credits. This part of the book describes the survey results on the pattern of yarn procurement by the weavers, and the related issues.

In order to form a clear idea of the problem it is necessary to look into the data relating to:

(i) the sources of supply or the types of sellers;

(ii) the extent of credit *versus* cash transactions;

(iii) the extent of yarn supply through the mohajan yarn/cloth dealers under dadan system; and

(iv) the magnitude of the premia charged by the dealers on the sale of yarn on credit.

Figure 5:Working Environment of Handloom sarees

The factory owners (or large weavers) follow some economies in the process of yarn procurement. These are:

(i) The economies of large scale purchase;

(ii) The economies of cheaper sources of yarn supply; and

(iii) The economies of cash purchase. All this puts the large weavers in a better competitive position in the product market as compared with their small counterparts.

The yarn dealer takes the risk of extending credit and provides working capital to the weavers, for which he would obviously charge a premium. But the extent of such premia is undoubtedly exorbitant, judging by the annual average rate of estimated 110-180 percent (premia per transaction multiplied by the number of transactions per year) charged by the yarn dealers compared with the rate on cash loans charged by private moneylenders, which varies from 60-120 percent. As for the dadan system of procuring yarn, the extent of exploitation is difficult to measure from our sample data. But one study tried to determine the extent of exploitation of the dadan -weavers by their master mohajans and estimated that they were exploited 13 per cent more than the weavers who work under the normal yarn-credit system (GOEP, EPSIC: n.d., pp. 55-57). The exploitation of weavers who work under the normal yarn-credit and the dadan systems is a historical legacy of their poverty and dependence on the dealers or mohajans. However, it may be recalled that the dadan system of weaving has historically been on the process of extinction.

3.4.4 Marketing of Output

It is mentioned that the marketing of output has remained a "critical bottleneck" in the small and cottage industrial sector in Bangladesh (Islam: 1978, pp. 48-49). But in the case of the handloom industry the problem in marketing does not appear to be as critical as in the other small and cottage industries, at least in terms of the process of delivery of the goods produced by weavers. In the marketing of handloom products, intermediaries at various stages play an important role and a significant part of the profit, however, is accrued to them. Albeit, the price formation takes place more or less on competitive basis, of course, with some exceptions. The present section seeks to examine the aspects of handloom marketing in order to understand the problem. The issues to be discussed include: market mechanism, traders' margin and price formation, and mode of transactions.

3.4.5 Marketing Network

In between a buyer and a seller in the primary or principal markets, there is a commission agent namely aratdar who maintains a big shop called gadi in the market. These aratdars provide market information to the beparis, and facilitate transactions in buying and selling to both paries. For this the aratdar charges from the beparis a commission of usually one per cent of the total value of transactions. Often the aratdar provides credit to the beparis, in which case a higher commission is charged. Sometimes, a middleman locally known as dalal exists between a buyer and a seller to facilitate buying for the beparies a commission is charged from them. In addition to these types of intermediaries, there are sometimes the farias who buy cloth from the weavers in the early hours of the market day, and at late hours they sell it to the beparis at a margin if the latter fail to purchase the required quantities direct from the weavers. These farias also buy at late hours at reduced prices for sale on a subsequent market day, from those weavers who have not been able to sell all their products to the usual buyers, but need money to buy raw materials and other daily necessities of life, and/or to pay off the yarn-debt of dealers in order to get new supplies. Another system of sale is the dadan or mohajani system that arises out of the lack of working capital of the weavers (discussed elsewhere in this book). Still a recently developed system of marketing is the sale of unfinished cloth to the cloth finishing factories. In this case, the finishers purchase cloth from the weavers direct from their premises, or the weavers themselves supply their products to the factory-gates.

Thus the prevailing marketing network may be put as follows:

Weavers → Paikers → Wholesalers/Retailers/Consumers

Weavers → Farias → Wholesalers/Retailer → Consumers

Weavers → Mohajan → Wholesalers/Retailers → Consumers

Weavers → Cloth finishers → Wholesalers/Retailers → Consumers

Weavers → Wholesalers → Retailers → Consumers

Weavers → Retailers → Consumers

Weavers → Consumers

Figure 6: Marketing Network

Given the existing structure of the industry, especially where there are no alternative marketing institutions, the presence of intermediaries in the trade is unavoidable. Given the nature of the industry, it is to be expected that the middlemen have some role to play in providing useful services for efficient marketing operations, under the principle of "division of labor" in an industrial activity. But too much intervention of the intermediaries is undesirable. For example, the intervention of the dalals is not absolutely necessary in the trade. They are mostly the local people who are organized to intrude into the trade in order to reap some benefits from the cloth trade in the name of services to the weavers and traders. However, in the present structure of the handloom industry, the services of the other types of intermediaries cannot be ignored in the process of delivery of the goods produced by weavers. Nevertheless, we need to look into the cost of their services which contribute to price formation at the consumers levels.

Trade Margin and Price Formation

It is commonly believed that substantial market imperfections exist in the handloom industry and the traders or intermediaries dominate in the market in order to make exorbitant profits, which give rise to price spread between the producers' and consumers' levels very high. It is true that in some cases a sort of market imperfection exists, mainly because of the imperfect knowledge d the consumers and of lack of standardization of the products: but in most cases the price formation takes place more or less competitively, and the price spread between the producers' and the consumers' levels is not always very high in the present situation The high price spread was observed in the seventies, especia9' during the cloth crisis in the market (see below).

It is estimated from the data for the year 1962 (GOB, EPSIC n.d., p. 84) that the mark-up between the prices at the weavers and the consumers' levels for lungi produced at Ramchandrapur (within Zone I) and sold in Metropolitan Dhaka was of the order of 25-30 per cent. This was, of course, the gross margin of all the intermediate traders together. If transport, capital, and other cost of the traders are excluded, then the net profit of the intermediaries together would possibly vary from 15-20 per cent. Howe it appears that the rate of profit was higher in the seventies that had prevailed in the sixties. Information gathered during field visits by the present author seems to suggest that the price which the consumers paid during the late seventies was 30-35 per cent higher than what the weavers received for some common varieties of fabrics. During this period, however, there was some sort of cloth crisis in the market, and possibly for this reason the mark up of the traders was higher than that in the sixties. Albeit, in the eighties there was evidence of decrease in traders' margin & BIDS survey on traders, conducted in 1983, revealed that the wholesalers alone made net profits of the order of 12-15 per cent. The retailers' margin would be somewhat more than this and thus the gross margin would be to the order of 25-30 per cent. "Consumer Demand and Market Survey" conducted b% during 1986/87, it was found that the gross margin of wholesale and retail trades together was 17 per cent for coarse *sari, 27per* cent for coarse lungis, and 29 per cent for fine lungis thus the margin seems to be not very high for the common varieties of fabrics. However, the same survey report mentioned the gross margin for fine *saris* to be as high as 49 per cent. The very high margin in the case of fine sarees is explained to be due to "... lack of standardization of products, irrational buying habits of well-off buyers and difference in customer services." (Chowdhury et. al.: 1988, pp. 55-56). For the common varieties of handloom cloth, the net margin of the traders was estimated to be about 57 per cent of the gross margin. Thus, other than for some specific varieties of fabrics, "The traders' net margins appear to be determined competitively, implying a relative absence of semi-monopolistic elements in price formation." (Chowdhury et. a1.:1988, p.56)

Competition for handloom products

The main source of competition for sarees came from smuggled Indian sarees, mainly prints. Competitive products over handloom products because of design, quality and price. Fine and superfine handloom products have been developed only after the successful penetration of smuggled and imported goods. The existing commercial system though most extensive and wholesale as well as retail trade has increased in the recent years, their trading is restricted to mainly few hats and to a selected number of sellers. Thus the existing commercial system limits choices and extends a dependency upon intermediaries.

Export market of handloom products

More than 20 countries buy cotton and woven fabrics from Bangladesh. The products range from traditional fabrics to contemporary furnishing and household textiles. Until 1990s exports of handloom products comprised mainly traditional items. During the decade, however there had been a massive increase in export of many non traditional handloom items.

CHAPTER FOUR

Marketing Patterns

Marketing Patterns

As marketing of handloom sarees are very much related to the conceptual ideas of major marketing patterns, it is necessary to show a view of the under mentioned points.

a) Products

Actually handloom sarees have different categories. Of them the below categories notable-

- Jamdani
- Banarasi
- Katan
- Kanchibaran
- Saree Superfine
- Saree fine
- Saree printed
- Saree medium
- Saree coarse

b) Pricing

Average price range of handloom sarees is 500-1000 taka.
But simple sarees are between 350-500 taka
Price can and also varies due to color, quality, design, and category.

Banarasi – 2000-20000 taka

Jamdani – 1500-25000 taka

Tangail Katan – 400- 3500 taka

Saree superfine – 1000-5500 taka

Saree fine – 400-3500 taka

Saree printed – 400-2500 taka

For an example of a Jamdani,

Raw materials mainly silk thread, color, jorry and including is distribution and marketing cost skiiled and unskilled laborer wage for two weeks and make it available to Baily road from Noapara Narayangonj is approximately Tk. 1700-1800. But usually it is sold for minimum Tk. 2200-3000.

Since there is no certain rule in handloom industry for fixing the price of various types of handloom sarees, these are usually sold in the market on an ongoing price. The weavers eventually follow the cost-based pricing strategy for their produced sarees.

Buying attitudes of consumers are quite different among higher income group and middle-lower income group. Higher income group (86%) mostly prefers fine handloom sarees. Because these help them to be of up-to-date fashion. Significant no. of buyers of higher income group (65%) has put mass emphasis on the place of production such as Tangail. On the hand the introduction of new designs increases sale to 10 %-30% vis-à-vis to previous sale of 10%.

c) Promotional Activities

In fact, handloom industry is a part of our tradition and it is being continued from long period. But the problem is it has no such definite promotional strategy and program rather it is like an infant industry. The production and supply is limited and so there is no certain urge to upgrade its promotional activities. The usual limited production is easily grabbed by the existing market.

The promotional activities can be initiated like –

- organize handloom promotion week every year
- develop and promote new products and design every year
- promotional display
- annual and biennial handloom exhibition
- popularization of handloom products through promotion and publicity

d) Place Activities

Actually for handloom sarees there is less scope for enhancing its supply chain and logistics supports. Because according to their distribution efficiency and long partnership with the dealers and saree showrooms and comparing to the demand state present placing are pretty nice. But the Jamdani Polly at Noapara in Narayangonj has shown the placing and make hub is conducive for them for their efficiency.

e) Mode of Transactions

Both cash and credit transactions, besides the dadan system of sales, take place in the handloom industry. The weavers sell their output mostly in cash. However, 10-11 per cent of their output is sold on credit as well. Some portion of the output has to be sold on credit as a part of their business deal. But the extent of credit sale is higher among the factory units than among the cottage units. The factory units can afford to extend credit relatively more than the cottage units due to their better off financial positions as compared with the latter.

f) Trends in Organization of the Supply of Yarn

The trends in organization of the supply of yarn can be traced by looking into the sample estimates obtained from various sources. Three important observations can be made in case of supply of yarn. First, the procurement of yarn by the weavers from public outlets had not been there during 1962-69, it had increased in 1980 over 1976, and then declined in 1987; second, the purchase of yarn on credit decreased systematically from the year 1962; and last, there has been no appreciable change in the rate of premia on the prices of yarn supplied on credit over time.

The first point is self-evident, as there was no effective institutional arrangement for yarn supply during the fifties and sixties. But there was an increase in the activity of institutional agencies in 1980 compared with 1976.

The decline in the share of yarn procured on credit reflects the changes in the structure of yarn supply in the pre- and post-liberation situations, for which the distinction is sharp. In the pre-liberation period, it was the mill-owners who provided the traders with free trade credits thus enabling them to offer increased credit to the weavers. But in the post-liberation period, in addition to various new institutions, many new hands entered into the yarn business. They were not getting yarn from the BTMC on credit and did not maintain credit relationships with the weavers. Further, as discussed elsewhere in this book, the *dadan* system of credit[9] has declined over time. Finally, it is noteworthy that the rate of premium was not much less in the pre-liberation period than what has been in the post-liberation period, although the mills provided free trade credits to the traders in the former period thus enabling them to allocate credit to the weavers. Possibly these premium rates constitute the norms of the system reflecting a perpetual exploitation of the weavers by the traders who supply yarn on credit.

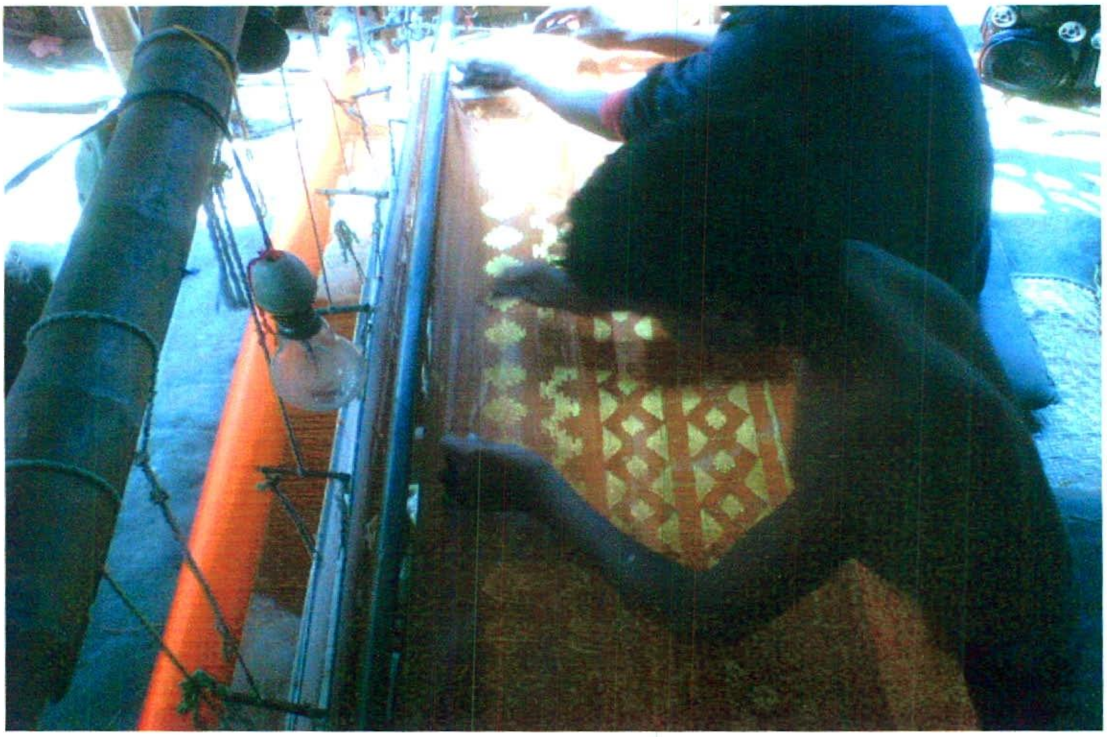

Figure 7: Craftsmanship

g) Size of the Business of the middlemen

The size of the shops dealing with the marketing of handloom sarees is small if we compared to other produced products in our country. On our we have found that about 20% of the shops at Dhaka posses working capital to the extent of tk 100000 to tk 150000, and 50% shops posses their working capital of tk 40000 to tk 90000 and rest of 20% have the highest working capital of above tk 200000. The following table shows the sources of capital:

Table 2: Showing the percentage intermediaries of the survey areas carrying on the business by their own capital or borrowed capital from their relatives and friends.

Centers	Own capital	Borrowed capital	Total
Dhaka	15	7	22
Narayangong	20	11	21
Tangail	13	04	17

Source: field survey, 2006

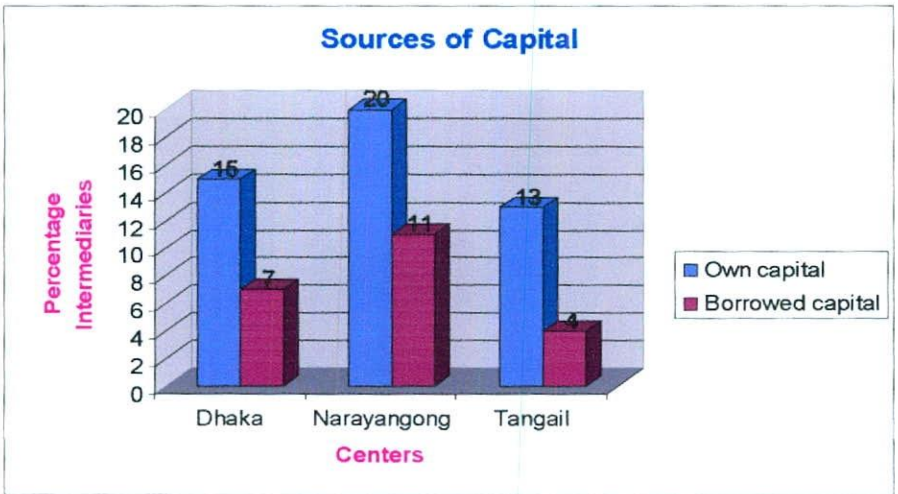

Figure 8: Sources of Capital

h) Forms of ownership

There are as many as three types of ownership of any business organization, such as sole proprietorship, partnership, and co-operative. At Dhaka city 60% of the shops are small and owned by sole-proprietorship.

i) Sources of supply

The channel of distribution of handloom sarees is not complex. The intermediaries mostly procure their products direct from weavers who came to the local weekly market with their products. This matter is a bit deferent at Dhaka city from other areas where the intermediaries who procured 70% from the producers/ weavers terms of supply or terms of buying. There exits the traditional terms of buying and selling of handloom sarees.

Terms and condition varies from centers to centers. In Dhaka city area, intermediaries mostly do not sell goods on credit, whereas in Narsingdi many intermediaries are reported that they sold on credit and on good faith. Majority of the shops follow the policy of buying products both on cash and credits. As many as 60% and 80% of the intermediaries of Dhaka and Narsingdi district bought sarees both on credit and cash. The table below shows the percentage of shops dealing in saree according to source of supply and terms of supply:

Table 3: Showing the percentage of shops dealing in saree according to source of supply

Sources of supply	Dhaka (%)	Narsingdi (%)	Narayangong
Weavers	70	80	75
Wholesalers	20	15	17
Wholesalers and weavers	10	5	8
Total	100	100	100

Source: field survey, 2006

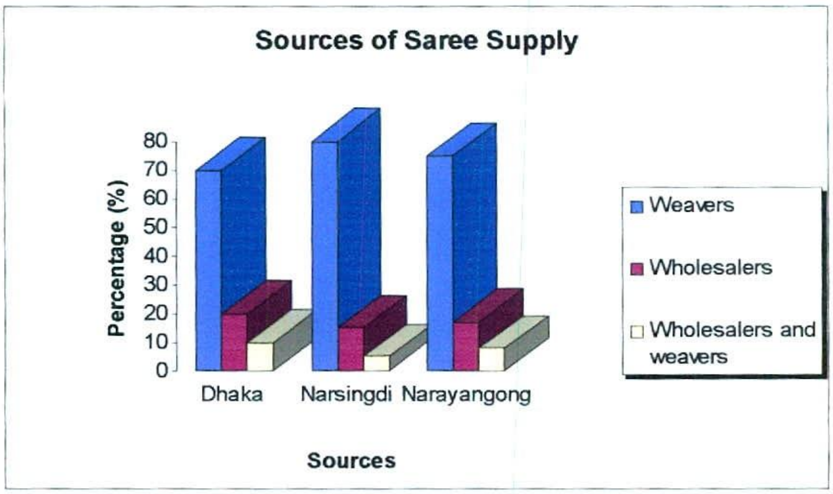

Figure 9: Sources of Saree supply

Table 4: Showing the percentage of shops dealing in saree according to terms of supply

Terms of supply	Dhaka (%)	Narsingdi (%)	Narayangong
Cash	35	18	25
Credit	5	2	5
Cash and credit	60	80	70
Total	100	100	100

Source: field survey, 2006

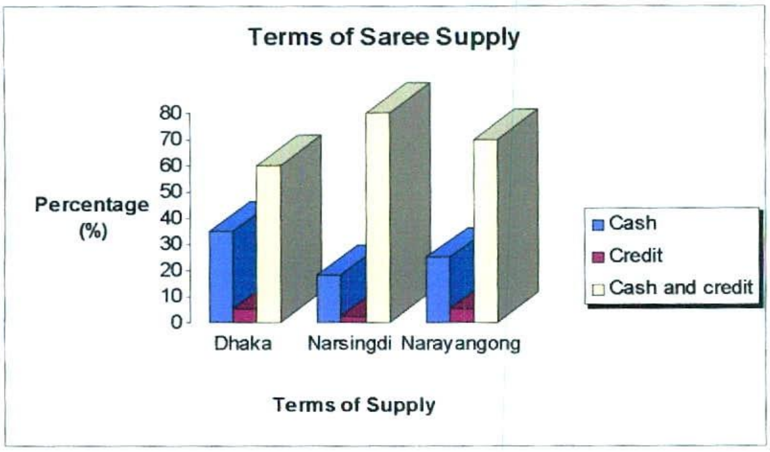

Figure 10: Terms of Saree Supply

j) Marketing Channels

The normal channels of distribution may thus illustrate as follows:

1. Producers → mahajan → wholesalers → retailers → consumers.
2. Producers → wholesaler → retailers → consumers
3. Producers → mahajans → retailers → consumers
4. Producers → retailer → consumers
5. Producers → consumers

The marketing channel can also be depicted as--

Weavers → *Paikers* → Wholesalers/Retailers/Consumers

Weavers → *Farias* → Wholesalers/Retailer → Consumers

Weavers → *Mohajan* → Wholesalers/Retailers → Consumers

Weavers → Cloth finishers → Wholesalers/Retailers → Consumers

Weavers → Wholesalers → Retailers → Consumers

Weavers → Retailers → Consumers

Weavers → Consumers

Figure 11: Marketing Channels

CHAPTER FIVE

Challenges and Strategies

5.1 Challenges faced by the handloom sector

Textile industry in Bangladesh has a complex and varied structure. At one end of the spectrum is the traditional hand-spun, hand woven sector consisting of handlooms, located mostly in rural areas, where they are the largest employer after agriculture. At the other end is the largely urban based sophisticated, capital intensive and high speed machine sector. In between is the fast growing intermediate sector, consisting of power looms dispersed mostly in rural and semi urban areas. This is the segment that has now emerged as the major competitor of the handlooms. Because of the relatively lower capital investment and limited space needed, and as the technology is easy to adopt power looms are springing up and may continue to grow for sometime more. Another trend is the replacement of handlooms with the higher productivity power looms. The handloom sector by its very nature is at a disadvantage as against the other sectors. The government has therefore, provided protection against unfair competition.

The strength of handloom fabrics however lies in their exquisite designs and vibrant color combinations. So they should compete in the market particularly in the export market on the relative strength of their special design features, quality and cost. There is now a bright prospect for the handloom sector because the demand for hand loom product is on the increase both in the internal and external market. Gradual phasing out of quota system in the export of ready made garments by the year 2005 will create a positive scope for handloom fabrics penetration into the export market.

5.2 Strategies to be taken for promotion of domestic and export market:

Any development plan in the handloom sector must be a complete package covering supply c input, innovation of suitable designs, financing of working capital development of human resources, modernization of technology, efficient marketing management and formation of sour weaver's societies. It is very important to consider all the aspects together with equal weight because one without the other will not be fruitful.

Following strategies may be considered:

i) Improvement in the distributive system for quality inputs

Yarn constitutes the most important and basic raw materials of the hand loom industry accounted for more than 60% of the total variable cost. In procurement of yarn lack of finance is by far the most severe and wide-spread problem faced by the weavers. Again quality of yarn is often the mark. So timely and adequate supply of quality inputs at reasonably fair prices for remunerate marketing of handloom product is needed.

ii) Improvement of market condition (management of hats)

The weekly hats situated at rural areas need to be maintained properly. Physical amenities should ensure proper roofing of stalls, storage space for buyer and seller, banking and security Management committee should ensure adequate representation from weaving community.

iii) Institutional mechanism for market oriented production

A strong institutional structure and suitable scheme for market oriented production, promotic and marketing of handloom products need to be set up and implement at different levels.

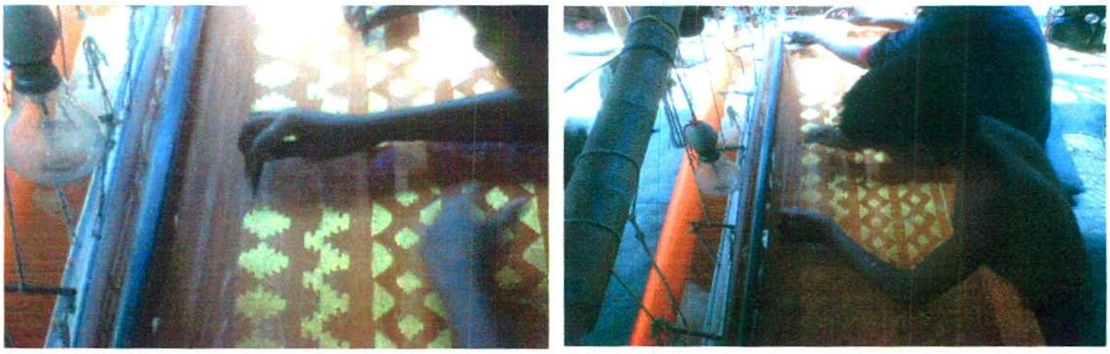

Figure 12: Common Weaving Perspective

iv) Production and quality improvement measures.

Following schemes may be taken up in order to increase production and improve quality of hand loom products:

- **Establishment of a national handloom design centre**

The design is the strength of handloom. A full fledged National Handloom Centre for Design Service and Research need to be established in Dhaka as early as possible.

- **National Design Collection Program**

With the objectives of identifying and documenting traditional weaves and their commerce production and test marketing through exhibition and sales a National Design Collection program may be introduced in the country with the following main components:

a. Purchase of designs and commissioning of reputed designers.

b. Compensation to weavers arising out of loss of wages incurred by the weavers when they t, up production of designs.

c. Exhibition of designs.

v) Development of human resources and modernization of technology

There is now a great dearth of qualified technical personnel in the handloom sector. With a view to meet the need of providing proper technical personnel existing Training Institute located at Narsindi which offer only short courses on weaving technology need to be upgraded with a view to introduce diploma course in handloom technology.

The aging of handlooms and deterioration of their productivity are matters of concern. Without technical up gradation of handlooms innovative product development programs can not be effectively pursued. In the sphere of exports in particular, quality is the determining factor. Handlooms will have to compete with other products on equal footing with regard to excellence and price. So to increase productivity and ensure production of flat less and quality fabrics, the handloom industry need to be upgraded technologically.

vi) Project Package Scheme

The project package scheme containing following components:

a. Product development like conversion from traditional items to more marketable items.

b. Adoption of traditional ethnic designs into utility products.

c. Conversion of weaving from gray to yarn dyed fabrics.

5.3 Strategies for overall Market Promotion

1. Handloom promotion week may be organized every year. During handloom week promotional display may be arranged in major urban areas to highlight new designs and products.

2. Bangladesh Handloom Board may continue to organize annual and biennial handloom exhibition in Dhaka and other divisional and district towns.
3. To boost up handloom exports, the Ministry of Textiles/Bangladesh Handloom Board may continue to encourage/organize participation of Primary/Apex Societies and handloom export houses in large international trade fairs on the basis of their performance.
4. Popularization of handloom products through publicity in radio, TV and internet by releasing advertisements containing details of Bangladesh handloom products. In this regard, a wave page may be developed for wide circulation of BHB activities and handloom products.

5.4 Strategies taken by the govt. agencies:

i) Single tender system/preferential purchase

Different Ministries/Department/Agencies of the government may procure required fabrics from Bangladesh handloom Board/registered Weaver's Societies or on single tender system with a view to increase institutional purchase of handloom fabrics.

ii) Reservation of handloom products

Govt. of Bangladesh may, consider to introduce reservation of some items for production in the handloom sector alone like neighboring country India.

iii) Business Opportunities Provided by Bangladesh Handloom Board for the entire Handloom Sector

Many incentives are being provided to the exporters under existing export policy of the Government of Bangladesh. Export policies/incentives applicable to the handloom sector mainly are as follows:

a. To encourage the export manufacturing firms exporting at least 80% of their products will be eligible for the following incentives and facilities:

i) They will be entitled financial incentives and facilities including Bank credit as 100% export oriented industries. But the taxation facilities allowable to 100% export oriented industries will not be applicable for them.

ii) These industries will be able to sell 20% of their products in the local market subject to payment of normal duties and taxes.

b. Exporters have been given following three types of coverage under Export Credit Guarantee scheme :

- Export Credit Guarantee (pre-shipment)
- Export Credit Guarantee (post-shipment)
- Comprehensive Guarantee

c. Facilities for import of raw materials.

d. Income tax rebate on export earnings.

e. Reduced air freight for export of all crash program items.

f. Enhancement of time limit of export credit from 180 days to 270 days.

g. Reduction of bank interest rates: interest on loan for export is fixed at 8%-10%.

h. Opportunity for use of foreign exchange by the exporters. Exporters are given opportunities to retain 50% of the export earning in their own account in normal cases and 10% of export earning in cases of lower value addition.

I. Fifteen percent (15%) cash incentives are allowed for some handloom items.

The above mentioned development strategies and promotional schemes may be developed with other project/schemes of different agencies/ministries of the government for funding and to ensure that the efforts are concerted to achieve qualitative and quantitative improvement of handloom products as well as promotion of handloom products marketing.

CHAPTER SIX

Cost Analysis and Efficiency

6.1 Cost analysis

An estimate of cost of marketing of handloom sarees at present is difficult, because there is a considerable variation in the matter of cost from areas to areas and from marketers to marketers. In the case of handloom sarees, weavers and intermediaries charge a price which is mostly arbitrary and the uniformity of price is lacking in thatproducts for which the consumers always complain that bargaining is the common characteristics in saree shopping which they do not like. The position of weaver is, however, very weak in respect of fixing price. Almost all the intermediaries reported that they fixed the price following the mark-up-on the purchase price, which deferred from one trader to another. Another reason of arbitrary fixation of the price is the lack of standardization of handloom sarees. This is also stands as barrier to the promotion of domestic and export market in some cases. They do not follow definite principle of cost elements as applied in modern business.

However, the following materials has been prepared to provide an estimate of marketing cost on the basis of data collected in the survey:

Product: 12 Jamdani saree (Nakshi)

Production Cost	**Tk.**	**Tk.**	**Percentage**
Cost of Yarn	12,000		
Cost of border yarn	1,260		
Cost of color	360		
Seven color B T Yarn	150		
Wages of weavers	7,200		
Total production cost =		**20,970**	**72.80%**
	Tk.	Tk.	Percentage
+ profit of weavers (10%)	2,097		
= selling price of weavers			
Or			
Purchase price for retailers		23,067	27.2%
+ Different cost in retail stage	1,122		
+ retailers profit	4,613		
= ultimate selling price		**28,800**	**100%**

Or

Purchase price of customer

Therefore, per unit price of Jamdani saree is (28,800/12) = 2,400 Tk. (average)

Marketing of handloom sarees are not high in the domestic market. But, lower cost of marketing does not indicate that it is effective. Marketing efficiency is the movement of goods from producers to consumers at a lower cost consistent with the provision of the services as is desired by the consumers.

6.2 Marketing Efficiency of Handloom Sarees

6.2.1 Factors of Efficiency:

Marketing efficiency depends on some important factor, those are-

- Modern marketing and sales appeal techniques
- Well promotion of products
- Adequate financing
- Competition with mill made and other counterparts
- Well-managing of work force
- Building and maintaining the relationship with the value chain

6.2.2 Factors affecting the marketing efficiency of handloom sarees

There are also some factors affecting the efficiencies of marketing system of handloom Sarees which should also be taken into consideration at the time of evaluating the marketing efficiencies. The present marketing systems of handlooms sarees speak more of its inherent weakness than its strength, which are as follows:

- **Absence of modern marketing sales appeals and techniques**

In modern techniques, sales appeal is one. In these modern days sales appeals are of major importance in maintaining and creating markets of some products both at home and abroad. But in our country more than 60% of the shops dealing in handloom products advertise neither their shops nor their products. Following table shows the percentage of retailers reporting on sales techniques they make.

▫ Inability to popularize products

The attempt to popularize product in case of handloom saree is not at all significant in Bangladesh. Fashion show as an attempt to show the merits of the product may be very helpful to attract the customers. At present fashion shows are being exhibited continuously at Dhaka city but its results are not research-based and countable.

Table 5: Showing the sales techniques of retailers

Centers / Sales efforts	Dhaka %	Narsingdi %	Narayanganj %
Advertising	40	5	10
Salesmanship	90	75	80
Show-room decoration	65	40	70
Convenient location	85	85	80

Source: field investigation, 2006

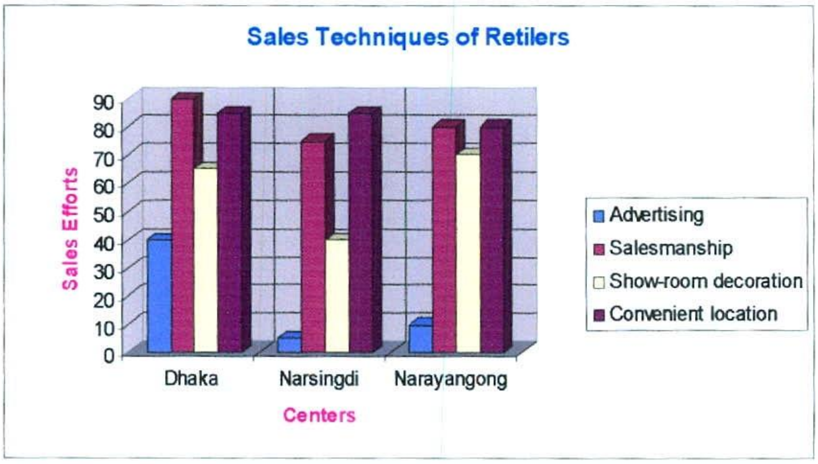

Figure 13: Sales Technique of Retailers

From the above table we can see that, salesmanship is the main sales technique in all areas.

Table 06: Showing size of working capital of shops of the survey areas

Centre/ Working capital	Dhaka (%)	Narsingdi (%)	Narayangong (%)
Upto-10,000	5	20	20
10001-20,000	10	15	15
20001-30,000	10	10	15
30001-40,000	15	15	10
40001-50,000	15	10	10
50001-60.000	10	10	5
60001-70.000	10	5	5
70001-80,000	10	5	5
80001-90,000	05	5	5
90001-above	05	5	5

Source: Field visit 20006

It indicates that, working capital of the shops is within TK.10000 to 30,000.

▫ Inadequacy of finance

Almost all the weavers suffer from the scarcity of working capital for which some of them had to stop production and most of them had to depend upon the 'mahajan' for the supply of raw materials. Scarcity of capital is also one of the reasons why they cannot afford modern sales appeals such as show-room decoration, percentage of shops of the survey areas according to the size of working capital.

▫ Competition with mill made sarees

Why handloom sarees demand in some cases is in gradual decrease? Production of mill made uniform low priced product made the weavers position very difficult. This shows the facts that only mill made coarse products sell better than the handloom products. According to our survey higher income group consumers purchased handloom saree.

6.3 Impact of new designs and fashion of handloom sarees

In some centers, weavers are not aware of making good design which wins the heart of style-conscious customers. 'This seems to be a great problem to the weaver of some areas. For example, a significant number of weavers at Narsingdi are not aware of the process of making products of modern designs in contrast to the weavers of Narayangonj, who are confident of their own skill and initiative in introducing new designs. Weavers of certain areas reported that if good design maker were available, they would be in a position to improve the quality of work. So far the introduction of design of the border of the saree, most of them produced something now being guided by the idea that the new one would sell better just because other people were not aware of them. Some of them make designs by bringing a slight change in the designs of the products which commands better sales at the moments and the price of which is a bit high in the market. Unless products are manufactured in line with the desired of the domestic market and foreign customers, market promotion is become a hard task. In this connection BSCIC may play an important role for providing modern design and fashion which may help the weavers.

Some fashionable handloom sarees are –

- Traditional sarees
- Designer sarees
- Contemporary sarees
- Bridal sarees
- Wedding sarees
- Party sarees
- Festival sarees
- Casual sarees
- Summer sarees
- Winter sarees
- Fall sarees
- Spring sarees

Figure 14: Fashionable handloom sarees

CHAPTER SEVEN

Customer Analysis

Analysis of the consumer behavior and buying attitude

Consumer analysis is essential because consumers are the Queen and King!

The study of consumer behavior offer and potential for real-world application, marketers have to be very careful in analyzing consumer behavior. Consumers often turn down what appears to be a winning offer. If they do not vote for a product, the product is dead. So the prosperity of any industry largely depends on the attitude of the consumers. Hence, the behavioral characteristics of the consumers are of major importance to the manufactures and the dealers of handloom sarees. In the above context, consumer behavior may be defined as the activities of people engaged in actual or potential use of market items whether products, services, retail environments, or ideas. Some of the behavioral characteristics, which include buyers of the handloom sarees variation of buying habits from one income group to another, loyalty of the consumers to sarees, socio-psychological influence, other factors influencing buying decision and reasons for their likings and disliking are discussed below:

- **Buyers of handloom sarees**

Handloom sarees are consumed by all groups of people. But a major task of markers is to correctly identify the target buyers of the handloom sarees. Higher income group and lower income group for buying handloom sarees are totally defferent. Higher income group mostly prefers fine handloom sarees.

- **Variation of buying behavior**

Consumer decision making varies with the type of buying decision and buying habit. Consumers attitude are considered to be the most accurate of predictor of actual buying behavior. The income and attitude of consumers plays a significant role in buying decision of the handloom sarees. Performance for handloom saree such as Kajibaran, Katan, Zamdani in the lower and middle income group is very limited because they are very costly. It describe that \~omen of lower and middle income group do not very much prefer handloom sarees which the\ can not wear with out starching. On the other hand, female consumers belonging to the higher income group mostly prefer fine handloom sarees because these help them to be in fashion.

- **Socio-psychological influence**

Consumer's buying habit is also influence by socio-psychological factors. Socio--psychological factors deserve consideration so far the effective marketing of some handloom sarees is concerned. Such as Katan, Zamdani have the status appeal, which buyers feel will acquire status if they own the product. Producers and dealers may thus emphasis those types of products and furnish as much information as possible at the consumers.

- **Loyalty of consumers towards sarees of certain areas**

There exist a significant number of users of handloom sarees, who give much emphasis to the place of production. For example, 75% and 45% of the consumers stated that they had special liking to sarees of Narsingdi and Dhaka respectively. It appears that some buyers have loyalty towards the products of specific areas. The following table showing that ideas.

Table-07: Showing the percentage of consumers who have preference of sarees of certain areas

Commodities	Place of production	Percentage(%)
Saree	Dhaka	45
Saree	Narsingdi	75
Saree	Narayangong	70

Source: field visit-2006.

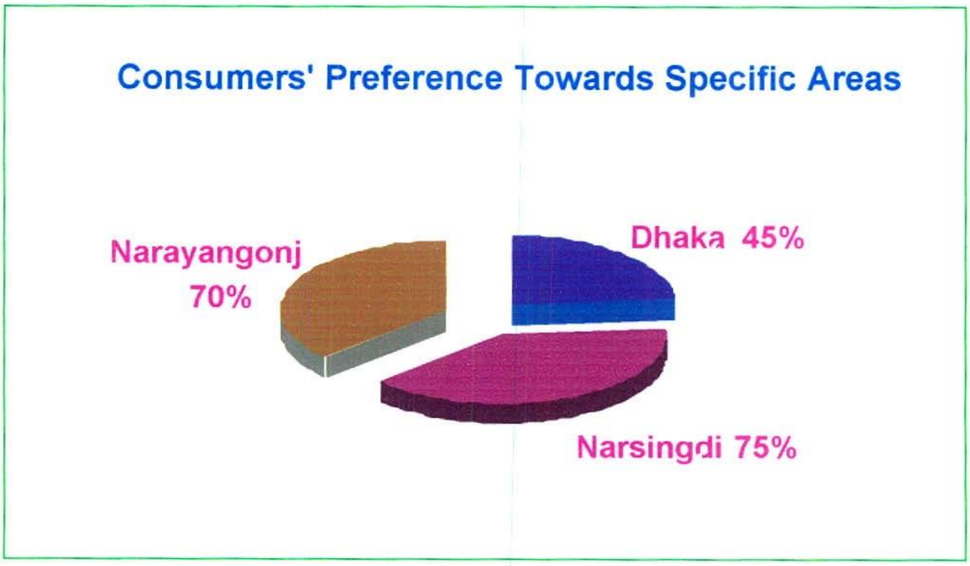

Figure 15: Consumer preference towards specific areas

CHAPTER EIGHT

Backward Linkage

8.1 Introduction

Backward linkage is indispensable need indeed. Because if the weavers get the right raw materials at the right time their efficiency will be increased more. Some times we have seen some skilled workers were sitting idle because they did not have the right raw materials in their hand. Some times for liquidity crises they can not even buy their raw materials and can not carrying out their proper flow of weaving.

8.2 Potentiality of Backward Linkages

The Ready Made Garments (RMG) industry in Bangladesh plays a pioneering role in earning huge amount of foreign exchange through exports. Though there is a great potentiality of producing exportable quality fabric in the handloom sector to feed the RMG industry, still then this industry depends mostly on imported fabrics. Different studies show that there is good potentiality of establishing backward linkage with the handloom sector.

8.3 Demand for Linkage Industries Products

Considerable efforts have been made both by producers and policy makers to the development of possible backward linkages with the export oriented garment industries especially involving the use of handloom fabrics. At present major portion of fabrics used in the garment industries are imported.

Some producers already have used clothes from local textiles as well as from handloom production, cotton and silk. Government also has given emphasis to the use of local fabrics. Because ready-made-garments exporters may loss their competitiveness in the world market after year 2005 as a result of phasing out various quota system under the new World Trade Organization (WTO) regime and the country would face a serious crisis in procuring its share of fabrics from the international market after 2005 as most of the fabric producing countries by the time would increase their own RMG exports following withdrawal of quota restrictions.

If Bangladesh fails to create a steady supply base of quality fabrics at competitive prices through establishing backward linkages, its apparel industry would be at stake.

The best quality fabric produced in Bangladesh from handloom is at least equal to that of imports and the price is fully competitive. But the most frequently heard problems arise with regard to the maintenance of consistently high quality and consumer acceptance. Many producers are optimistic; particularly there may be opportunities for contract production of handloom cloth for use in RMG. A problem here may be handloom's concentration of 100% cotton products (and to a small extent silk), while most garment consumer prefer mixed cotton and polyester fibers for some products, though handloom products would be suitable and acceptable. Silk fabrics come from sericulture industries mostly situated in Rajshahi.

It is evident that neither government nor export market has been any significant source of demand for medium enterprises (MEs) products. Several factors contribute to the minor role being played by government purchases in this case. There is often repeated complaints from the typical micro/small entrepreneurs are that government purchases are generally time consuming and that government offices are notoriously tardy in settling their accounts. Further the procedure of government purchases which generally involve tendering and other formalities may also limit the sale of goods and services by handloom based MEs to Government. Whereas procedural constraints are absent in private sector purchases, but due to limited demand, the market in the private sector has not yet flourished.

It is also evident that export typically does not provide a major source of demand for ME products except for handicrafts items. On the other hand, available evidence also indicates that export markets could be an important source of demand for particular types of micro/small enterprise products, like handlooms. But inadequate market promotion, lack of market information, poor product quality and design are responsible for the generally poor export performance of Bangladesh in the handloom sector.

CHAPTER NINE

Constraints

9.1 General constraints of marketing of handloom sarees in Bangladesh

The present system of marketing of handloom sarees in Bangladesh speaks more of its inherent weakness than its strengths. Handloom saree weavers face a number of problems which act and react upon one another and lead to the suffering of many weavers and marketers.

First Inadequate marketing facilities:

Worst problems faced by handloom saree marketers are inadequate marketing facilities. There is no proper marketing strategy in case of sarees such as inadequate distribution system, lack of selection of target market, high cost of transportation, absence of modern sales appeals, inability to popularize the products.

Second Lack of new design and designers:

In the modern marketing concept to satisfy its target markets and develops a strategy of marketing mix, then design the more determining factors to the consumers which mostly determines consumers choice. The design includes color combination, luster, texture, printing and border design.

There exists a variety of designs of sarees which is also traditional. Weavers mostly design their products basis on their imagination with out putting the things into test. There is also shortage of trained designers.

Third the lack of working capital:

Capital is the life blood of all business. In all stage of a life cycle of business working capital is a must. About 80% weavers of survey areas reported that they are facing the lack of adequate working capital. Intermediaries are not free from the problem of working capital. About 50% intermediaries reported that they could not finance from the commercial banks even for the very short period of time. Most of then borrow finance from their relatives, friends, and local money lenders at a very high rate of interest. Among then 30% can not solve their problem.

Fourth Variation of prices of handloom sarees:

Wide variation of price of handloom sarees very often fluctuates with the changes of tastes and fashions of the consumers. About 50% weavers of all survey areas reported that price fluctuation of their products were frequent and they had to live in uncertainty.

Fifth Competition with mill made sareess:

The presence of low priced Uniform synthetic and mill made sarees has caused a dearth of demand for handloom sarees of some areas like Narsingdi and Narayangonj.

However, there are also many other type of problems which effect the marketing of handloom sarees in our country and as well as in foreign country. Government should take some effective actions to overcome the situation and to promote the handloom sarees marketing around the world where it has the demand.

9.2 Constraints of Subcontracting and Backward linkage arrangements in the Handloom Sector

9.2.1 Technological Constraints

One of the critical factors adversely affecting the backward linkage with handloom is the technological backwardness of the upstream processes. This has also a very bad impact due to the fact that with the poor quality yarn, poor quality fabrics have been produced leading to loss of market. The mechanized weaving sector consists of 26 composite textile mills with around 7000 narrow (42" width) and outdated looms and specialized textile and power loom sub-sector with 30000 looms. Although the looms of the specialized and power looms sector are wide in size these units are failing to produce high quality grey fabrics because of such technological causes as very small size of individual units (15-20 looms per-unit), absence of backward processing facilities like sizing machine, twisting machine etc.

In the dyeing -finishing sector there are in all 197 units of which 94 are mechanized and the rest are semi-mechanized. Majority to these are small in size and lack of complete range of machinery to produce diversified types of fabric in keeping with the requirements of ready-made-garment industries. Usually dyeing-finishing is a very capital intensive process and therefore, both the entrepreneurs and financial institutions are to some extent reluctant to set up optimum size of modern dyeing-finishing units.

Technical constraints which are impeding the production of high quality grey and finished fabric including the handloom of primitive type, lack of skilled manpower, poor quality control system, poor maintenance of machinery, ineffective management, etc.

9.2.2 Sub-Sectoral Conflicts

Inter sub-sectoral conflict works as one of the serious constraints to the establishment of backward linkage with handloom and ready-made garment industries. Spinning for instance, adopts a policy to persuade the relevant government departments to pursue a policy of high tariff protection on the import of yarn which creates artificial crisis in the local market and forces price of yarn to go up. High price of yarn in the local market encourages smuggling of yarn as well as leakage from export oriented knitting and hosiery units. This high price of yarn forces the cost of production of grey and finished fabric to be higher than the international market price. As a result of various problems associated with the supply of yarn from local source, the ready-made garment units usually make arrangement of procurement of fabric through back-to back L/C from foreign source. Thus each of the sub-sectors is pursing self-centered policy which is destroying their mutual trust and relationship although complementarities and interdependence are the critical underpinnings of the healthy growth of the textile and handloom sector. The high cost of yarn also forced the handloom sector a loosing one.

9.2.3 International Marketing Network

The ready-made-garment industries of Bangladesh have grown under the umbrella of a package policies support. One such important factor is the system of import of raw materials through back to back L/C under which the buyer negotiates with RMG units regarding the type, design, pattern, size, quantity, etc. of garments to be produced and supplied, the value of such products as well as the type quality, quantity of fabric to be used along with sources in most cases the RMG units have to open back-to-back L/C against the master L/C and import of fabric from the pre-determined sources. In some cases, the buyers negotiate with the RMG units in such a manner that all the materials along with accessories are supplied to the RMG units by the buyers under the condition that the concerned RMG unit will produce the garments for payment of pre-determined charge. On top of that there always remains the threat of rejection by the ultimate buyers on many grounds. A very common one being the non-conformity of the quality of fabric. All these realities of international market mechanism that the possibility for the use of fabric from handloom in the RMG industries.

Backward linkage with handloom through supply of fabric involves a number of critical elements, namely availability of bulk quantity of fabric, maintenance of uniformity of quality and strict adherence to time schedule. Thus quality, quantity, time and price of fabric stand as the four crucially important factors involved in the process of establishing backward linkage with handloom.

The attitude of foreign buying house is influenced by such factors as distrust on the capability of local buying houses, information gap, lack of experience of the local dyeing units and various types of procedural bottlenecks. The high risk of rejection by buyers influences the local RMG units against the capability of the dyeing-finishing units. The suspicious attitude of the foreign buyers as well as local RMG units on local handloom products disappoints the sector as a whole.

9.2.4 Possible Effects of SME Development

An overwhelming majority of the rural industrial enterprises belongs to cottage and handloom industries and thus a significant proportion of rural populace, including landless and women, take industrial activity as primary, secondary or seasonal profession. Production in rural industrial enterprises fluctuates substantially within the year due to seasonal variations in the supply of raw materials, the demand for products and producers involvement in other economic activities.

An important point to be noted in the context of the development of cottage industries as a poverty alleviation program is generating employment for the most disadvantaged groups in the society, i.e. the landless and near-landless as well as women and children/youths either as unpaid family labor or hired wage workers.

Therefore, given an opportunity to expand the cottage and handloom industries with better entrepreneurial, management, market outlets, institutional credit and training facilities, improved technical know-how under the initiatives of both public and private sectors including NGOs and donors assistance direct employment could rise to almost double the number of persons presently employed.

9.2.5 Raw materials requirements:

Yarn is the principal raw material of handloom industry. The 1990 census estimated that the reported monthly requirement of yarn is 27.6 million pounds. Cotton yarns account for more than 90% of the total quantity of yarns used by the handloom units. Three major sources of cotton yarn in Bangladesh exists

(i)Bangladesh Textile Mills Corporation (BTMC) mills.

(ii) Private sector mills and

(iii) imports-imports of yarn are mediated through.

Industrial importers, with official import entitlements, usually import yarns for industrial use. Commercial importers usually import substantial quantity of yams under Export Performance Benefit (lPB) and Wage Earners Scheme (WES).

9.2.6 Working Capital Financing

According to the 1990 census the average working capital need per unit and per operational loom amounted to Tk. 12,429 and Tk. 7496 respectively. Average working capital need per year-round operational loom amounted to Tk. 8.06 only. It was observed that 13,651 units received loan amounting to Tk. 249 million from Banks. The census reveals that mahajans/Paikers and others constitute the largest sources of loan received by the handloom the units. The percentage of repayment of loan was highest in Dhaka Divsion (38%) followed by Rajshahi Division *(29%)* Chittagong Division (23%) and Khulna Division (10%).

It is inevitable to highlight the credit scheme which is being implemented by Bangladesh Handloom Board (BHB). A project namely "Micro Credit Programs for the Weavers" at an investment cost of Tk. 500.00 million has been undertaken by BHB and have been given loan of Tk. 10,00-t to T·18,000/- depending on the category of their looms. This loan has been earmarked for recovery in 36 (Thirty six) equal installments with a simple 10[1]7c rate of interest. Initially, the recovery percentage of loan was satisfactory and now it has come down to *57%*. Till then, the program to meet the working capital need of the poor weavers.

Up gradation of technology even for the small enterprises can provide the route to financial viability. In turn very large enterprises which failed to upgrade technology will remain impoverished except where they consciously choose to use pit loom for weaving specific high value products. About 78.5% of all pit loom units fall within the 1-2 loom size categories suggests that the capacity to *effects* and unassisted transition from pit loom to semi-automatic technology is itself constrained by the enterprise and the low capacity of the smallest enterprise to generate a re-investible surplus. Quality control facilities are inadequate particularly in export trade of handloom where organizations like International Trade Centre (ITC) assistance are very much required.

9.2.7 Problems and Constraints of working capital financing

4.8 Lac of working capital accounted for as the main reason for more than 97% of the closure **of a** total 184,808 handloom units in the country, according to a joint study by Bangladesh Handloom Board and Bangladesh Bureau of Statistics.Other important reasons for closures include lack of yarn, labor problem and marketing problem.

A study of the Bangladesh Institute of Development Studies (BIDS) found that the weavers had to pay 20 to 151% interests to the mahajans' while buying the dyes, chemicals and weaving materials on credit.

(1) Low literacy level,

(11) Dearth of technical training facilities,

(111) lack of adequate finance. The problem of supply & distribution

(v) Poor infrastructural facilities,

(vi) Low export performance (RISP, 1981).

Very low and the highly unequally distributed rural incomes and the main source of rural income (land) constitute a serious constraint on the expansion of the rural industries. (Studies on Rural Industries Development-SRID 1987).

CHAPTER TEN

Guidelines

Guidelines for future policies and programs in the Country in case of handloom sarees

This research work has been done with a view to discovering the problems prevail on our handloom sarees industry and then made some suggestions on basis of the problems found.The major problem that shakes our handloom sarees industry is lack of working capital, lack of backward linkage industry ,lack of proper marketing channel, no initiatives yet had been taken to popularizes the handloom sarees to domestic consumers or to the foreign consumers .Being a potential sector,the industry of handloom saree can not play any effective role in our national economy due to the above mentioned hurdles.

The following guidelines are needed to be considered for regaining the lost image of our handloom sarees from the light of findings of the report:

a. Handloom sarees occupy a very important and attractive position in our country. In last 100 years there has hardly been any major change in quality or production technique of sarees. For popularizing the handloom sarees among local as well as foreign buyers, more attractive packaging with interesting write up on the historical background of the particular brand of sarees in needed.

b. BSCIC is playing a vital role for remarkable progress in handloom field, and primary responsible for the expansion and the development of hand loom sarees. Now-a-days BSCIC also take the responsibilities of popularizing handloom sarecs and may organize and participate in fashion shows and trade fairs. A lot of promotional literatures require to be distributed in these fairs among the traders and potential customers.

c. Weavers always produce what they think they can market, which often causes trouble as fashion in fabric is changing by nature. By conducting periodic "Consumers" opinion survey and "Market survey" BSCIC can help the weavers in a great deal.

d. According to survey findings it has been observed that no research either for marketing or for developing new designs has been undertaken by any institute yet and private initiative in this respect and at this stage can not be expected. A promotional organization like BSCIC may performs such work by way of setting up a "Market research" wing to conduct market surveys trying new design and new product and this market research wing may also provide extension service to the weavers. So, the following specific functions may be entrusted to marketing research wing. They are:

I. To prepare briefs for suggesting the weavers.

II. To assess consumers preference of products and qualities

III. To develop packaging, advertise and modern materials and new designs.

e) Under a package program the weavers should be financed at low interested rate. Short/long term loan from govt. financed bank are well needed for that industry.

f) Providing of proper knowledge about knitting of handloom sarres,quality of raw materials, strategic marketing procedure etc. are very necessary to all concern party with this industry.

g) Modernization of the materials, tools, machines etc. are need to be used.

h) Regular supply of raw materials should be ensured at any cost.

i) Government should give subsides to expand this sector.

j) Yearly, half-yearly exhibition of handloom sarees should be organized in home and abroad and government should extend its all out support to make it a successful one.

k) The excess interruption of middlemen should be stopped.

l) Details and regular cost analysis and comparison with similar commodity with handloom sarres are need to be regularly performed and rapid initiatives are needed for reduction of the cost with maintaining the proper quality.

CHAPTER ELEVEN

Conclusions

Bangladesh is a least developed country. Its per capita income is very low and it is only $ 522 according to the economic report of 2007.The main cause of our under development is lack of industrialization. Our economy is based on mainly agriculture as a result we have limited employment opportunity. So it is badly need to create scopes for employment and this can be done through massive industrialization. The main obstacles on the way of industrialization are lack of working capital. In Bangladesh handloom saree industry is a potential sector for creating employment opportunity and thus the poverty can be eradicated. So its very necessary to take mentioned measure immediately and special notice is to be given to this sector, this sector can turn into an income and employment generating sector. We have lot of problems in our economy. By developing this sector we can bring a change in our agro based economy. If we fail to utilize the potentialities of this sector that would be a simple misfortune for us.

The handloom industry occupies a key position in the national economy of Bangladesh. Its current production of roughly 437 thousand looms supplies about 69 per cent of the total cloth available in the country. This industry accounts for about 33 per cent of the country's manufacturing employment, and for 15 per cent of the manufacturing GDP.

We have the culture of years in case of handloom sarees. First it was the muslin, and at present this pride is carrying out by the Zamdani, Katan etc. The weavers are also carrying out the culture of the handloom sarees from the time of their fore-father. But at present the situation of handloom sarees and the weavers are not good. They are loosing their status in the society because of so many problems such as inadequate capital, lack of proper marketing strategy and also the unhealthy competition with synthetic and mill made sarees. The Government of our country should take some special action regarding handloom sarees if we want to alive our pride of handloom sarees.

The important conclusion that emerges from the analysis in this chapter is that the industry has been facing many structural constraints, especially regarding the organization of finance and of supply of yarn. The financial problems confronting the weavers relate mainly to working capital. The yarn dealers and the private money-lenders are the two important sources of credit for working capital for the common weavers. These sorts of credit are of short maturity and bear high interest rates. These features weaken the staying power of the weavers. The general poverty of the typical weaver and his extremely limited access to the institutional credit market compel him to depend on these costly sources of working capital.

Despite many difficulties and disabilities, the performance of the handloom industry is not altogether discouraging. The average utilization of capacity is estimated from sample survey data to be 70 per cent, which is not low by any standard.

The sample survey data reveals that the majority of the weavers cannot save and accumulate capital. Therefore, the majority does not grow, and some even decline. But some weavers, particularly those who have better initial resource bases, save and accumulate in order to grow. In the sample areas, 90-92 per cent of the factory units have reached this size by growing. The sample units (surviving units) have shown an annual average rate of growth of 3-5 per cent.

Finally, we may conclude that, if we can ensure the favorable as well as adverse factors for the development of the handloom sareees, the overall performance of the industry will be improved and it will be one of the thrust sector for our national economy.

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Appendix

'Marketing of Handloom sarees in Bangladesh'

Questionnaire regarding

(Producers)

1. How long are you involving in this profession?

    A) 2 years or less

    B) 2-5 years

    C) 5-10 years

    D) More than 10 years

2. What types of handloom sarees do you produce?

    A) Benaroshi

    B) Jamdani

    C) Tangail

    D) Kanchi baran

    E) Others

3. What types of raw materials do you use?

    A) Thread

    B) Color

    C) Others

4. What are the sources of raw materials?

5. How many handlooms do you have?

6. How many labors work in your firm?

Male	Female	Total

7. How many hours generally a labor takes to make a simple saree?

8. How do you determine the wages of the labors?

A) Daily basis

B) Weekly basis

C) Monthly basis

D) production basis

9. What are the medium of marketing of your produced sarees?

A) Direct marketing

B) Through middlemen

C) Some other ways

10. Do you face any problems of marketing of your sarees?

Yes ☐ No. ☐

If yes, then what type of problem?

11. Have it any impact on the handloom sarees at present as mill made sarees production increased?

Yes ☐ No. ☐

12. What is the type of the impact?

A) Positive B) Negative

13. Does Govt. Take any action to reduce the impact?

Yes ☐ No. ☐

If yes, then what are these?

14. Would you tell me about the problems in the handloom industry?

15. By your opinion, what type of action should take to reduce these problems?

16. Does Govt. provide any subsidy in handloom industry?

Yes ☐ No ☐

17. Are there any training facilities to increase the efficiencies of handloom labor?

Yes ☐ No. ☐

If yes what are the type?

A) Government institute B) Private institute

18. Is there any demand of handloom sarees in the international market?

Yes ☐ No. ☐

19. If yes, then what are the areas of demand?

A) Asia B) Europe C) Others area

20. Do you face any challenge to enter into international market?

Yes ☐ No. ☐

21. If yes, then what are the challenges?

A) Quality of the sarees

B) Bangladeshi product

C) Color of the sarees

D) Design of the sarees

E) Level of usages

22. Do you face any problem to market your sarees in domestic market?

Yes ☐ No. ☐

23. If yes, then what are those?

A) Quality of the sarees

B) Prices

C) Affluent of domestic sarees

24.Do you think that marketing of handloom saree is higher?

Yes ☐ No ☐

25. If yes, what are the reasons?

A) Different types of middle man

B) High salary of the personnel

C) High cost of material

D) High advertising cost

26. Do you think you have the efficiency to market the handloom sarees?

Yes ☐ No ☐

If no ,what are the reasons?

27.Do new entrepreneuers are interested to invest in handloom sarees industries?

Yes ☐ No ☐

28.Does the Govt. take any action to promote the handloom sarees?

Yes ☐ No ☐

If yes ,what are those actions?

Thank you.

Marketing of Handloom sarees in Bangladesh

Questionnaire regarding

(Middlemen)

1. What type of business do you involve?
   - A) Retail business
   - B) Wholesale business
   - C) Both

2. How long do you involve in this business?
   - A) Lower than 5 years
   - B) More than 5 years
   - C) 10 years
   - D) 15 years

3. What is your average sale of handloom saree per day?
   - A) Below 50 pices
   - B) 100-200 pices
   - C) Over 200 oices

4. What is the price range you sale, the handloom sarees?
   - A) Below 500 taka
   - B) 500-1000 taka
   - C) 1000-2000 taka
   - D) Over 2000 taka

5. What type of handloom sarees are sold more from your shop?
   - A) Benaroshi
   - B) Jamdani
   - C) Tangail
   - D) Kanchi baran
   - E) Others

6. Do the consumers complain about the quality of the handloom sarees?

   Yes ☐ No. ☐

7. If yes then what type of complain?

   A) About price

   B) About quality

   C) Others

8. Do producers give any commission to you?

   Yes ☐ No. ☐

9. What actions should be taken to increase the sales of handloom sarees?

   A) Improve the quality

   B) Reduce price

   C) Organizing handloom sarees fair

   D) Others

10. What is your opinion about the design of the handloom sarees?

11. Please say something about the future of handloom industry?

Thank you

Marketing of Handloom sarees in Bangladesh

Questionnaire regarding

(Consumers)

1.What type of dress do you like most?

A) Saree

B) Saloar-Kamiz

C) Pant/jeans

D) Others

2.Do you feel free by wearing saree?

Yes ☐ No. ☐

If yes, then what type of saree?

a) Cotton

b) Silk

c) Jorjet

d) All the three

4. Why do you wear saree?

A) For felling free

B) For fashion

C) As the culture of Bangladesh

D) Others

5.From where do you purchase saree?

A) Shopping mall

B) From producers

C) Hawkers

D) Others

6. Purchasing sarees in which factor do you rely?

A) Color

B) Standard

C) Price

D) Design

7. In purchasing sarees what is your price range?

   A) 200-250 taka

   B) 250-350 taka

   C) 350-450taka

   D) 450-550 taka

   E) Over 1000 taka

8. Do you think the quality of handloom saree is right according to the price?

   Yes☐ No.☐

   If no then what are the reasons?

9. What may be the right price of a simple saree?

   A) Tk 250

   B) Tk 300

   C) Tk 350

   D) Tk 400

   E) Tk 450

10. The outlets of sarees are your convenient?

    Yes☐ No.☐

11. Are the outlets of handloom sarees are enough?

    Yes☐ No.☐

12. If no then how it can be increased the no. of outlets?

    A) Establish many outlets

    B) Employ extra sales personnel

    C) Establish outlets in the center of the city

    D) Others

13. Are there any promotional activities to promote the handloom sarees?

    Yes☐ No.☐

14. If yes, then what is more appropriate medium of promotion?

    A) TV

    B) Radio

    C) Newspaper

    D) Electronic media

    E) Others

15. Which advertisement of media is more attractive to you?

16. Do you know about the fair of handloom sarees in deferent times?

    Yes ☐ No. ☐

17. If yes do you go to those fairs?

    Yes ☐ No. ☐

18. What actions should be taken to increase the sales of handloom sarees?

    A) Improve the quality

    B) Reduce price

    C) Determining fixed price

    D) Others

19. Does the Govt. taken any action to promote the handloom sarees?

    Yes ☐ No. ☐

    If yes then what are the steps?

20. What type of action should be taken by the Govt. to promote the handloom industry?

    A) Providing subsidies to weavers

    B) Providing training to labors

    C) Easy accessible of the raw materials

    D) Organizing handloom fair

    E) Others

21. Tell something about the future of Handloom sarees in Bangladesh.

Thank you.