In order to understand the growth trajectory and competitiveness of Paithani industry a wide spectrum of literature on the topic was studied. The study of literature spanned the competitiveness of textile industry and other handloom textile studies conducted in the following areas:

1. Economic history of India for ancient trade and commerce
2. Gazetteers for historical records of Paithani and related literature
3. Informal Sector
4. Textile industry and Handloom sector of India
5. Literature on Paithani
6. Models of competitiveness
7. Competitiveness of Textile industry
8. Cooperative Societies in the handloom textile industry and others
9. Geographical Indications in Textiles in India

2.1. Economic History of India for ancient trade and commerce

The literature studied under the sections is the material on the economic history of India and the economy of the handloom and textile industry of India.

British India - The ‘exploitative’ nature of Britain’s commercial relationship with India during the period of 19th and early 20th century has had great impact on the Indian village economies and mainly on the handloom and handicraft sectors. (Charlesworth, 1982). Historical account on craftsman’s social and economic position in India in 20th century is also discussed by Kamaladevi Chattopadhyaya (1963). Economic situation of Maharashtra in 19th century was studied by B R Sunthankar (1993), where he lays emphasis on the exploitative nature of the British rule, the effects on handicraft industry, effects of industrialization on handloom and handicraft industry in India and Maharashtra. The attempt to study the trade and commerce of the Ancient India during the period of 200 BC to 650 AD (Haripada Chakraborty, 1966) helped to find the roots and origin of the Paithani saree in
2. Literature Review

Maharashtra and the contribution of the ancient trade canter like Paithan to the national and international trade and commerce.

2.2. Gazetteers for Historical records of Paithani and related literature

The various Imperial gazetteers of India, Gazetteers of Princely states and State Gazetteers show authentic records of historical aspects of Paithani. Historical references of Paithan, Yeola, trade of Paithan and Yeola in silk, Paithani and other silk brocades, it’s social and economics accounts are observed in the above gazetteers from the early gazetteer of 1883 to the latest one of 1977.


2.3. Informal Sector

The evolution of the Informal Sector as an important segment of the economy in the urban areas and the surrounding areas in the developing countries has some special role for handloom and handicraft industry to play.

The nature of the informal sector, concentration, employment pattern, wage level and working conditions, investment, pattern of ownership, technology employed, energy requirement, nature of the markets for the goods produced in the informal sector and the size of the population depending on informal sector is investigated by Hariharan and Benjamin (1991) and Harold Lubell (1991). The unprotected nature of the sector as wages and conditions of work of employees, regular and small scale level investments, economic and
2. Literature Review

social functions of the sector and the special feature of entrepreneurship of informal sector gives the limitations and advantages of the sector which helps us to understand the manufacturing and market of the handloom industry in India. The informal sector is anticipated as the next growth engine for the Indian Economy (Mukherjee, 2009). The study by Mukherjee has also discussed the extremely heterogeneous nature of the sector and its transitional state in the urban migrants, which is also observed in the newly migrated craftsmen of the weaving activities. The author has also observed the newly created horizons of the handloom sector and the newly created opportunities which attract the new people many times.

2.4. Textile Industry and Handloom Sector of India

This category of literature focuses more on the technical aspects and economics of textiles to understand the textile industry as a whole and handloom sector in particular. It elucidates the benefits, advantages and competitiveness of the handloom silk industry of India.


A targeted perspective towards the textiles of India, their history, origin, manufacturing, market and other features is given by many authors. All major traditional Indian textiles have been focused by John Gillow and Nicholas Barnard (1991). While talking about the textiles of the North, Gillow and Barnard mentioned the brocades of Varanasi, ‘Kinkhab’ of Ahmedabad, Surat, Paithan and Hyderabad. They further say that, ‘The guaze-like saris of Paithan, near Aurangabad, are woven of heavy gold brocade where in reverse of the usual brocading practice, the metal zari threads form the background, and the pattern details are in silk.’The introduction to many hand woven fabrics of India is given by Jasleen Dhamija
(1989). The study also defines Paithani as a form of weaving of non-continuous weft in interlocked tapestry technique. The study of Saris of India by Singh and Chisti (2010) gave an account of introduction of the sari as a product, its type and method of weaving. It also talked about the growth of powerlooms and mills in Maharashtra by early 20th century however it also mentioned the continuation of handloom industry in Maharashtra. The study has stated that, ‘The silk saris of Yeola in Nasik district and parts of Vidarbha reveal a yet finer silk range, possibly because they were saris that were sold in other parts of India as well …. Paithan – Interlocked tapestry / brocade saris: The culminating centre of cotton and silk ground saris with heavy gold borders and end-pieces adorned with interlock patterning, often woven without the aid of any mechanical device. The Paithani has exerted its influence not only in the vicinity and in Yeola, but it also initiates a colour, texture and patterning influence, especially in the borders, in the silk centres of Andhra Pradesh, Karnataka and Tamil Nadu. However the tapestry elements are restricted to the environs of Paithan and reappear at times in Andhra Pradesh.’ In addition to that, the study also discussed the weavers’ challenges like decrease in demand, decrease in income, decreased ability to invest in silk and gold due to their high prices post independence with decreasing patronage. ‘The Joy of Hand weaving’ by Tod (1964) gives various definitions like Indian loom, tapestry technique which is specialty of Paithani. The author has explained the tapestry weaving used in Paithani weaving as the interlocking of two different and adjacent weft threads between the gap of warps. Here, instead of reversing around the same warp, two weft threads pass around each other when reversing and the interlocking occur between the two adjacent warp threads.

Varadrajan and Amin-Patil (2008) have also attempted to trace the ethno-historical evolution of the loom and saris of India. They have discussed many traditional saris of India including weaving methods of Kanchipuram fabric of Tamil Nadu and the Paithani range of Maharashtra. Authors also discussed the reasons of decline of Paithani weaving, ‘Ultimately the death-knell was to be rung, not by political authority but by the revolution in fibre technique after 1930’s. This was the era of velvets, lace, chiffons and georgettes …. There was no place for the Paithani repertoire in this new orientation in taste.’ The authors also have discussed various old patterns of Paithani weaving sources from many museums of India, they found many instances of similarities of Paithani motifs with Ajanta cave paintings and designs from ‘Bibi Ka Maqbara’ at Aurangabad, also the paintings of Raja Ravi Varma which are influenced from beauty of Paithani. The study also talks the growth of Yeola as silk weaving centre because of ‘intermittent state of warfare between the Peshwa and the
2. Literature Review

Nizams of Hyderabad, boundaries were constantly shifting and Paithani remained a possession of the Asafjahi dynasty of Hyderabad for considerable stretches of time. The development of Yeola as a centre for the production of Paithanis was an outcome of these circumstances. The spread of Paithani repertoire in the territories of Maratha feudatories like Burhanpur, Ahmednagar, Pune, Chanderi, Maheswar, Nagpur and Tanjavur etc. and the special weaving which developed at those places over period of time were also discussed in detail including Ilkal, Narayan pet, Khan, Dharmavaram, Gadwal etc.

Speciality of Ikat is described in the study ‘Ikat Textiles of India’. These are known for brilliant colours and complex patterns and designs which have history since sixth century at major centres of Ikat weaving at Gujarat, Orissa and Andhra Pradesh. Chelna Desai (1987) Many textile terms are discussed by Chisti and Sanyal (1989) on Madhya Pradesh Saris of India. Historical account on Tapi collection by Barnes, Cohen and Crill (2002) gave references of weaving history of India and textile trade of India with Greece, Rome etc. The authors mainly focus on double Ikat silk Patola and mordant and resist-dyed cotton fabrics from Gujarat traded to South-East Asia since 13th to 18th century. Proofs of Radio-Carbon dating (measurement of C-14/ Carbon 14) of textiles are also discussed to determine the age of the textiles. Taraporevala (1970) refers the hand spun and hand woven fabrics as masterpiece of Indian textiles which includes a survey of India’s traditional fabrics and textile crafts like embroidery work of Gujarat, phulkari work of Punjab, Banarasi brocades (Kinkhabs). The author has an opinion that Paithani and other saris are reproduction of Banarasi brocades. ‘The brocades of Banaras are also produced in Ahmedabad, Aurangabad, Delhi, Lucknow, Bhopal, Murshidabad, Thanjavur, Tiruchirapalli, Madras and Surat………But the spiritual home of Indian brocades remains Varanasi.’ While talking about saris of India, the author mentioned the lovely Patola, silk Ikats of Orissa, cotton Ikats of Pochampalli and saris of Paithan with their elaborate gold-embroidered pallavs and borders.

Many studies were found on handloom weavers of Banaras. The notable few are as follows: Singh and Naik (2009) wrote on status of Banaras Weavers. Banarasi silk sari being an ‘Indian Sun’ in the world of fashion, which used to enjoy the benefit of ready market both at home and overseas. Weavers’ challenges like socio-economic conditions, marketing practices, illiteracy, financial constrain, marketing bottleneck and other factors are studied by the authors. The paper concludes that the traditional weavers are in pitiable conditions due to poor socio-economic conditions. The weavers were seen to be mere wage earners who earn
minimal wages in spite working more than 10 hours a day. Provision for raw materials at reasonable price, special training to improve existing weaving technology, knowledge about scientific and low cost techniques of weaving, dyeing and finishing, financial assistance and other necessary inputs was seen to be the need of the day as expressed by the weavers. Showeb (1994) dealt with Banaras silk handloom industry and problems of the Muslim weavers engaged in the silk handloom industry of Varanasi relating to supply of silk yarn, poor working conditions, unsatisfactory wages, health hazards, exploitation by middlemen and big dealers in the industry. The study reveals the failure of weaver's cooperatives and various unsatisfactory results of government welfare schemes for poor weavers. The study emphasizes the fact that the economic structure of the industry as is prevalent today is disadvantageous to the weavers. Moreover, the socio-religious characteristics of the Muslim community are also accountable for their educational and economic backwardness. The study recommends major policy changes regarding the procurement of yarn / raw materials, standardization of the product, better working conditions and marketing facilities to improve the lot of common weavers. The overall position and challenges of handloom sector by Agwan (2014) gives us the competitive study of various regional textiles and handloom sector of India. The competitiveness of the Ichalkaranji handloom and overall handloom industry over the powerloom and mills textiles in India is given by Kulkarni (1959) in the Ph.D. thesis submitted to University of Pune, Venkatraman (1934) in the thesis submitted to Gokhale Institute of Politics and Economics. The research period is of 20th century till the mid of the century. This span of 50 years is observed for the origin of mills and powerlooms in India, the analytical aspects of labour cost and product price and productivity and compares the handloom textiles with the powerloom for coarse as well as fine cloth.

The aspect of the women weavers, their contribution to weaving, the issues, problems and challenges of women weavers in various states of India is looked into by Parikh, Garg and Menon (1991). The focus is also on structure, the role taken by the functionaries, their interlinkages in terms of tasks, functions and roles, product wages, marketing and the problems or strengths related to the weaving activities. The study was conducted in Tamil Nadu, Andhra Pradesh and Kerala, but the authors assure that the situations are such that they relate any part of the country.
International Agreements on Textile Industry are important to study. Ganguli (2007), Desai (2009) and Nair (2011) have discussed the legal aspect of various international agreements related to textile industry and Geographical Indications.

The General Agreement on Tariffs and Trade (GATT) was a multilateral agreement regulating international trade. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis." GATT was signed by 23 nations in Geneva on October 30, 1947 and took effect on January 1, 1948. It lasted until the signature by 123 nations including India on April 14, 1994 of the Uruguay Round Agreements, which established the World Trade Organization (WTO) on January 1, 1995.

World Trade Organization (WTO), 1995
In the Uruguay Round of GATT, 1994, creation of WTO was one of the most significant changes. WTO came into existence on 1 January 1995. The World Trade Organization (WTO) is an organization that intends to supervise and liberalize international trade. The WTO expanded its scope from traded goods to include trade within the service sector and intellectual property rights.

- **Intellectual Property Rights (IPRs):** Trade Related Aspects of Intellectual Property Rights (TRIPS) - As a founder signatory of WTO and member of GATT, India was obliged to implement a fully TRIPS compliant Intellectual Property (IP) system before the end of transitional period, 1 January 2005.
- Agreement on Anti-Dumping - Imports of a product at a price below its “normal value” is called dumping. It leads to material injury to a domestic industry.
- Bilateral and Regional Trade Agreements – WTO allows bilateral and Regional Trade Agreements (RTAs) like Asia Pacific Trade Agreement (APTA), South Asian Free Trade Area -- (SAFTA), US-India Strategic Partnership, India-China & India-EU relationship

Multi Fibre Agreement (MFA) 1974 to 2004
MFA governed the world trade in textile and garments from 1974 to 2004 which imposed quotas on the amount developing countries could export to developed countries. The MFA
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expired on 1 January 2005. The MFA intended to allow developed countries to adjust to imports from the developing world. Developing countries have an absolute advantage in textile production because it is labor-intensive and they have low labor costs. At the General Agreement on Tariffs and Trade (GATT) Uruguay Round (1994), it was decided to bring the textile trade under the jurisdiction of the World Trade Organization. The Agreement on Textiles and Clothing provided for the gradual dismantling of the quotas that existed under the MFA. This process was completed on 1 January 2005.

The Textile Policy of India

Agnihotri (1989) has discussed the textile policies of India. The 1978 Textile Policy listed a number of steps to enable the handloom sector to fulfill the role assigned to it in the industrial employment policies of government. One of the objectives of the 1981 Textile Policy statement was to achieve the maximum possible growth of the handlooms sector. One of the objectives of the 1981 Textile Policy was to achieve maximum possible growth of handlooms in the decentralized sector, for generating employment and raising the standard of living of small weavers. The textile policy of 1985 recognized the distinct and unique role of the handloom sector and proposed a number of measures for the preservation and growth of this sector as one of the priority. One of the most important of these is the introduction of technical innovations in the looms used by the weavers, so as to increase the productivity and improve the quality of the product. The weaving of Janata cloth for the poorer sector of the population will also, to a large extent to be carried out through handlooms. The Parliament has passed a new legislation as ‘The Handlooms (Reservation of Articles for Production) Act, 1985’ by which 22 items have been reserved for handloom sector. Three regional enforcement offices have been created so far in Delhi, Pune and Coimbatore for implementation of the legislation effectively. Agnihotri (1989) also further discussed the other supportive measures taken by the government like active program of supply of raw materials, work sheds, common facilities etc. to be carried out through State Corporation and co-operatives. Further it recommends training and up gradation of the technical, managerial and administrative skills of personnel employed in the development and marketing of the sector.

After 1995, the government initiated serious efforts to restructure the textile industry in anticipation of growth through exports, as promised by the trade negotiations at global level and the Agreement on T&C. The challenge as seen then was to raise productivity through
2. Literature Review

gains in efficiency that would still allow the industry to compete at home and abroad in the face of higher cotton prices resulting from policy adjustment to WTO rules and demand pressures. Given the various linkages to the industry from cotton production, technology, labour and investment aspects, the government appointed a Committee of Experts to recommend the best possible course for Indian textile industry. Based on the report submitted by this Committee in 1999, a National Textile Policy (NTP) was announced in 2000.

Please see the Annexure 1 for the detailed information of the Textile Industry of India and the National Textile Policy 2000 (NTxP 2000).

**Handloom Sector - the Spinning Wheel of Indian Economy**

The Textile Committee report (June 2008, p.7) writes about ‘Post Independence Policy on Handlooms and Handicrafts’ as ‘in the post-independence era, despite the thrust on heavy and medium industries for economic development of the country, due importance was also given to village and cottage industries because of the large employment potential. Handlooms and handicrafts sectors were the major sectors in terms of providing employment next only to agriculture. The report of the steering committee on handlooms and handicrafts constituted for the 12th Five Year Plan (2012-2017) has stated the significance of handloom sector in the economy of India. The dispersed and decentralized handloom and handicrafts sectors embody the traditional wisdom, cultural wealth and secular ethos of our polity. They are not just a source of livelihood for lakhs of weavers and artisans, but also environment friendly, energy and capital saving and labour-intensive forms of art that have secured India’s presence in millions of homes across the globe. This sector is also special due to use of Indigenous raw material, low technology, local labour, labour intensive work and employment generation at rural level. Draft of XI Five Year Plan, Volume 3, Chapter 5, (Point 5.17) stated about the Socio-economic significance of Handloom Sector. Today, the handloom industry directly and indirectly provides livelihood to 124 lakh people, out of which 60% are women, 12% SC, and 20% ST (Ministry of Textiles, 2001). While the exact numbers are not available, a chunk of the handloom weavers belong to minorities. Health and environment-friendly hand woven fabrics have a huge international demand and have the potential to generate domestic demand as well. In the post-Multi-Fibre Agreement era, weavers can capture new markets. It (XI Five Year Plan, 5.29) has further alarmed that, ‘with the phasing out of quota and the opening up of markets, ‘Handloom’ cloth and designs are being produced cheaply by mills and
powerlooms both in India and in China. As the market is shrinking, weavers are becoming manual laborers or in extreme cases committing suicide. This has led many to label this industry as a *sunset sector.*’ XII five year plan has identified Handlooms as the ‘*Priority Sector*’ that will create large employment. It is also particularly significant as it provides low-cost and green livelihood opportunities to lakhs of families, besides supplementing incomes in times of agrarian distress, checking migration and preserving the traditional economic relationships between different sections of the society.

Many challenges of the Handloom sector are mentioned in the Five Year Plans. ‘This sector in India is heterogeneous, dispersed, and mostly unorganized. It includes diverse types of production units ranging from traditional crafts to high-tech industries. Segments such as powerlooms, handlooms, handicrafts, food processing, coir, sericulture, khadi, village industries, and wool, which are mostly unorganized, are fragmented across various ministries and often seen only as rural livelihoods. Due to the unorganized nature of the sector, entrepreneurs and artisans/workers face difficulties in accessing government schemes. Consequently, the workers engaged in the MSE sector— and these are often the most vulnerable and poor— have very little bargaining power and are exploited by the middlemen, and big business houses. Unable to take up aggressive marketing, like big industries, they cannot find markets despite good quality and competent prices. The dispersed, unorganized nature of the industry also raises issues of quality, bulk production, and inability of meeting big orders. As a result, markets, especially for traditional MSEs, are shrinking and workers are experiencing a dip in wages. Handloom sector in some parts of country is in miserable state due to myriad problems sustaining continuous losses. The problems are improper supply of raw material, price hike in yarn, lack of proper marketing facilities, lack of market awareness and promotion, lack of proper financial resources, involvement of middlemen, competition from mill and power loom products, lack of modern technology, lack of prompt and timely support from the government and other allied agencies, obsolete technologies, unorganized
production system, low productivity, inadequate working capital, conventional product range, overall stagnation of production and sales and, above all, competition from power loom and mill sector. It is a well known fact that the handloom weavers in some parts of the state are starving to death and even commit suicides, due to lack of facilities as well as disproportionate earnings corresponding to their labour, in the weaving activity. The standard of living of the weavers is significantly low and they are leading miserable and pitiable life due to unemployment and underemployment. This situation prevails everywhere in our country.1

Need of micro Credit for informal Sector is referred as the priority issue in the Xth Five Year Plan (Chapter 5, Volume 1, 5.52) It says, ‘A major problem in all developing countries is that the formal banking system is ill suited to meeting the credit needs of the informal sector. The banking system must be encouraged to reach out to the enterprises in the informal sector through innovative means. The cooperative credit structure can play a major role in extending credit to the informal sector but it has become very weak in most States. (X Five Year Plan, 5.53) The important mechanism through which banks can meet the credit needs of the informal sector is the self help groups (SHGs), which provide micro credit for informal sector activities. (Point 5.55) The need of Micro Finances of unorganized sector is significant because the handloom weavers are trapped in the clutches of private moneylenders who charge usurious interest rates, their needs are small but often arise at unpredictable times and usually of an emergent nature and mainly dependent of the production cycle of weaving, such micro finances also affect the bargaining power of the weaver while selling.

2.5. Paithani

There is very limited literature available on Paithani silk brocades manufactured in Paithan and Yeola. Historically significant record is found in ‘The Natural History’ written by Pliny. Gaius Plinius Secundus (23 – 25 August 79 CE), generally known as Pliny the Elder, writing c. 77 CE, left probably the most important account of India and its trade with Rome that has survived in Classical literature. Another ancient account is ‘The Periplus of Erythrian Sea’ which are the written notes of the travel and trade in the Indian Ocean by a Merchant of the First Century. It is translated by Wilfred H. Schoff, Secretary of the Commercial Museum,

1 http://shodhganga.inflibnet.ac.in:8080/jspui/bitstream/10603/9841/19/19_synopsis.pdf
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Philadelphia (1912). Both records mentioned Paithan (‘Paethana’) the city of silk trading centre. Most of the recent studies (Marwade, N. 1991) are available on historical, social, technical and weaving aspects of Paithani. Marwade being a former Paithani weaver gives more authentic information of the raw material, handloom, weaving tools and techniques, the social life in Maharashtra under the Peshwas, which is the period of royal patronage to Paithani from mid 18th to end of 18th century (Desai Sudha, 1980). This also gives references of Paithani and Pitambar. In chapter ‘Daily Life’ the author writes, “Pitambara and Patava represented a peculiar variety of pure silk saris which were used at the time of performing some religious rites. The textiles of Paithan were highly prized. Paithani was the name for a sari of peculiar pattern and design, essentially rich in gold zari work that was woven at Paithan. ……Places like Paithan, Chanderi and Banaras were particularly known for their fabrics of silk and cotton, richly embroidered with gold or silver zari” (pg. a59, 161)

2.6. Models of Competitiveness study

The Review of literature also examined models of competitiveness to identify the model that could be useful for the study of the Paithani saree industry.

Competitiveness - Introduction and Definitions:

‘A dictionary meaning of competitiveness is *an aggressive willingness to compete.*’

The Business Directory defines competitiveness as ‘Ability of a firm or a nation to offer products and services that meet the quality standards of the local and world markets at prices that are competitive and provide adequate returns on the resources employed or consumed in producing them. Haider (2012) defines competitiveness as ‘a comparative concept of the ability and performance of a firm, sub-sector or country to sell and supply goods and/or services in a given market in relation to the ability and performance of other firms, sub-sectors or countries in the same market’.

The competitive analysis is understood as the strategy of any business in relation to the competition. The purpose of defining competitive analysis is to determine the strengths and weaknesses of the competitors within a market to formulate business strategies to provide an advantage to the business. Competitive advantage is generally known as the strategic
advantage that any business entity has over its competitive business entities within its competitive industry. A core competency is a specific and central factor of the business. Core competencies are particular strengths relative to other organizations in the industry which provide the fundamental basis for the provision of added value. The core competency is that which makes imitation by competitors difficult.

The ‘value chain’ is a systematic approach to examining the development of competitive advantage. It was created by M. E. Porter in his book, Competitive Advantage (1980). The chain consists of a series of activities that create and build value. They culminate in the total value delivered by an organization. The 'margin' depicted in his diagram is the same as added value. (as shown in the exhibit 2.1) The organization is split into 'primary activities' and 'support activities'.

Exhibit 2.1 Porter’s Value Chain diagram

Source: Porter (1980)

At firm level, competitive analysis, as the name implies, is an exploration of the companies in a given industry sector. The competitive analysis at firm level is done with the tools like SWOT (Strength, Weakness, Opportunity and Threat) or TOWS (Threat, Opportunity, Weakness and Strength) analysis, BCG (Boston Consulting Group) matrix for growth-share portfolio analysis, GE 9 cell matrix, Porter’s Five Forces model etc.
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Blunck (2006) states that, ‘at the industry level, competitiveness is the ability of the nation's firms to achieve sustained success against (or compared to) its competitors, again without protection or subsidies’. Measures of competitiveness at the industry level include overall profitability of the nation's firms in the industry, the nation's trade balance in the industry, the balance of out­bound and inbound foreign direct investment, and direct measures of cost and quality at the industry level. Competitiveness at the industry level is often a better indicator of the economic health of the nation than competitiveness at the firm level. Value Chain Analysis is helpful at Industry level. Ambastha and Momaya (2004) give a review of theories and Models of Competitiveness. They say, Competitiveness is a multidimensional concept. It can be looked at from three different levels: country, industry, and firm level. Competitiveness originated from the Latin word, ‘com­pete­r’, which means involvement in a business rivalry for markets. It has become common to describe economic strength of an entity with respect to its competitors in the global market economy in which goods, services, people, skills, and ideas move freely across geographical borders. Competitiveness involves “a combination of assets and processes, where assets are inherited (natural resources) or created (infrastructure) and processes transform assets to achieve economic gains from sales to customers”. Outcomes can be achieved through competitive potentials through the competitiveness process (Berkely et al, 1988), similar to the Asset-Process-Performance (APP) framework. (Momaya, 2000) They further say that, some authors view competitiveness with the competency approach. They emphasize the role of factors internal to the firms such as firm strategy, structures, competencies, capabilities to innovate, and other tangible and intangible resources for their competitive success (Bartlett and Ghoshal, 1989; Doz and Prahalad, 1987; Hamel and Prahalad, 1989, 1990). This view is particularly among the resource-based approach towards competitiveness (Prahalad and Hamel, 1990; Grant, 1991; Barney 2001, 1991; Peteraf, 1993; Ulrich, 1993). Ability to develop and deploy capabilities and talents far more effectively than competitors can help in achieving world­class competitiveness (Smith, 1995). Productivity has also often been termed as a surrogate of competitiveness and good indicator of long-term competitiveness of a firm by many authors. Porter defined competitiveness at the organizational level as productivity growth that is reflected in either lower costs or differentiated products that command premium prices. The generic strategies given by Porter also emphasize these criteria (Porter, 1990). It has been said the company, industry, or nation with the highest productivity could be seen as the most competitive (McKee and Sessions-Robinson, 1989). In today’s turbulent business environment, dynamic capabilities, flexibility, agility, speed, and adaptability are becoming
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more important sources of competitiveness (Barney, 2001; Sushil, 2000). O’Farell et al (1992, 1989, 1988) focus on sources of competitiveness and firm performance, price, quality, design, marketing, flexibility, and management. Competitive strategies usually fall into these five areas: Product, Distribution, Pricing, Promotion and Advertising. Hence these factors can also be added to the above APP framework.

Measurement of Competitiveness can broadly be categorized as below:

1. Product Competitiveness
2. Firm Competitiveness
3. Industry Competitiveness
4. Nation’s Competitiveness

The table 2.1 is formulated (author compilation) and shows the categories of competitiveness, definitions, factors affecting and the popular models used for the measurement of competitiveness.

Table 2.1 Types of Competitiveness, Factors affecting the competitiveness and popular models used to study the competitiveness.

<table>
<thead>
<tr>
<th>No</th>
<th>Category</th>
<th>Factors affecting competitiveness</th>
<th>Popular models</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Product</td>
<td>Price, Value, Quality, Service etc</td>
<td>Porter’s 5 Forces Model</td>
</tr>
<tr>
<td>2</td>
<td>Firm</td>
<td>Asset, Leverage, Liquidity, Investment, Size, age and location of firm, Export and Profit</td>
<td>Porter’s Diamond Model</td>
</tr>
<tr>
<td>3</td>
<td>Industry</td>
<td>Employment, Production, Export, Efficiency, Growth, Innovation</td>
<td>Porter’s 5 Forces Model, Balassa’s RCA</td>
</tr>
<tr>
<td>4</td>
<td>Nation</td>
<td>(Diamond model):Factor conditions (labor &amp; infrastructure), Demand conditions (product &amp; services), Supporting industries(suppliers and other related industries), Firm strategies, Government policies, Export and micro-macro economical factors</td>
<td>Porter’s Diamond Model, Balassa’s RCA &amp; GCR Ratings</td>
</tr>
</tbody>
</table>

(Author Compilation)

There is no clear-cut definition of competitiveness. Thus it is necessary to identify and limit the concept of competitiveness in respect to our study which lies in the field of Traditional Handloom Silk Textile Industry.
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**Models of Competitiveness**

The popular models of competitiveness study are Porter’s 5 Forces model used for product and industry competitiveness (Competitive Strategy: Techniques for Analysing industries and Competitors, 1998), Porter’s Diamond model (The Competitive Advantage of Nations, 1990) used for firm and national competitiveness, Balassa’s Index to study Revealed Comparative advantage for industry and national competitiveness, Global Competitiveness Index etc. Exhibit 2.2 and 2.3 shows the diagrams of Porter’s 5 Forces model and Diamond Model to measure competiveness respectively.

*Exhibit 2.2 Porter’s 5 Forces Model*

![Porter's 5 Forces Model Diagram](source: Porter (1998))

*Exhibit 2.3 Porter's Diamond Model*

![Porter's Diamond Model Diagram](source: Porter (1990))
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**Global Competitiveness Index (GCI)**-
The Global Competitiveness Report (GCR) is being published by World Economic Forum for more than three decades and has studied and benchmarked many factors of national competitiveness. It defines competitiveness as the set of institutions, policies, and factors that determine the level of productivity of a country. The report of 2013/14 has published report for 148 economies with comprehensive analysis and detailed profile of each economy along with rankings of Global Competitiveness Index (GCI) covering over 100 indicators. Competitiveness is measured on 12 pillars to calculate the GCI. The GCI rankings are adjusted for the score in social and environmental sustainability and the revised ‘Sustainability Adjusted GCI’ is measured.

**Competitiveness, Sustainability**
Sustainable Development, as defined by the Brundtland Commission in 1987, ‘is development that meets the needs of the present without compromising the ability of future generations to meet their own needs’. Economic growth and development have to be guided by the compulsion of sustainability, because none of us has the luxury, any longer, of ignoring the economic as well as the environmental threat that a fast-deteriorating ecosystem poses to our fragile planet. (12th FYP, volume 1, point 4.1)

As in GCR, competitiveness is measured along with sustainability; it is chosen to measure the competitiveness of Paithani along with sustainability. For that the pillars (Determinants) and indicators (parameters) of competitiveness are to be identified in the study.

The Exhibit 2.4 shows the factors of sustainable development.

*Exhibit 2.4 Factors of Sustainable Development*

![Diagram of Sustainable Development](Diagram.png)

*(Author Compilation)*
2. Literature Review

2.7. Competitiveness of textile industry

There are numerous business and competitive analysis techniques practiced in the industry. Textile industry mainly the powerloom industry and readymade garment segment is often studied for their competitiveness. However the handloom industry does not imitate the powerloom industry when analysis of competitiveness is considered.

While studying the competitiveness of the textile industry, we need to comprehensively use the models of both firm competitiveness and industry competitiveness. The models of firm competitive analysis will help us to understand the product profile, production process and the market aspect of the competitiveness. The models of industry competitiveness will help us to understand the value chain, challenges of all the stakeholders of the industry, its potential and chances of sustainable development, competitors, threat of substitutes etc.

Various studies are observed for the competitiveness in textile and apparel industry in India and the world. Various determinants of competitiveness observed as below:

- Supply & Demand sides (Raw material & buyer behaviour)
- Labour cost & Product Price
- Productivity -Total Factor productivity, Labour Productivity & Unit Labour Cost
- Dependency on Natural Resources & Labour
- Operational Factors - Quality Management, Strategy planning, Marketing
- Government Policies & related industries infrastructure
- Size of Market share, Profitability & Growth (BCG Matrix)
- Export
- Other skills like Design, Technique

The determinants of competitiveness are observed separately in the studies below:

‘Decentralized nature of handloom sector, difficulty in procuring finance, raw materials and marketing, low wages of weavers and competition from cheap, powerloom made imitation products’ are the parameters of overall competitiveness of the industry which is analyzed by the Textile Committee in the report (June 2008, p.7) Small scale nature of internal markets, a cluster of village economies and no opportunity for broad commercial and industrial expansions were described as the reasons of decline of handlooms in India in 18th century.
2. Literature Review

(Charlesworth, 1982, p. 14). He states, “Eighteenth-century India was not sunk in some primeval ‘Asiatic’ stagnation. Some of its handicraft production of textiles, notably the muslins of Dacca, was sold widely for export, and in commercial centres, like the western port of Surat, wealthy merchant groups existed. Perhaps India’s fundamental problem, however, was the small-scale nature of most internal markets: ‘largely a cluster of village economies’, as Matsui describes the economy of 1800 [13:19]. This meant that merchant enterprise and capital and credit resources remained cramped within isolated confines, so that there was no opportunity for the spontaneous emergence of a broadly based commercial and industrial expansion and the infrastructure necessary to support it.”

“A close correspondence between the increase in mill goods during the 19th century and the decline in hand woven cloths of more or less the same types with perhaps slight difference in finish “were referred as the factors of competition of handlooms by Venkatraman (1934). Rise in Labour cost, market instability, numerous SKUs in a season, subjective evaluation criteria, limited automation and computerization as features of the industry were identified as the reasons of decrease in competitive advantage, of the Apparel Industry in East Asian Countries (Jin, B. (2004). On similar lines Nayak, A. (2009) referred to the challenges of competitiveness of the Indian textile industry reeling under the pressure of the global financial crunch and the appreciation of the Rupee since January 2007. High inflation rates and slow industrial growth were discussed as the reasons for the textile exporters being in a dire state. The key variables of competitiveness in the textile and apparel industries were identified as ‘productivity, supply-side and demand-side determinants to measure enterprises’ by Lau, C. K., Zhang, Z., To, K. M., and Chen, J. (2009).

Innovation is one of the factors of competitiveness. Gunjan, M., and others (2009) studied the demand and supply for the innovative textile product of Bamboo fabric in India. The challenges to the European Textile sector and its competition with the exports of new industrialized countries whose ‘low wages and social charges’ give them a considerable competitive advantage were discussed by Bilalis, N., et.al (2007) The analysis is based on an industrial excellence (IE) model developed by INSEAD. Quality, flexibility, supply chain management, strategy formulation and strategy implementation were observed as key indicators of the textile sectors. Wages, as one of significant factors of competitiveness, is also studied by Papola, T. S. (2003) and Tewari, M. (2006). This review will be helpful in the present study to analyze the wage patterns of the Paithani weavers and hence to examine the
wages of weavers as the factor of competitiveness for weavers. The latter further argued that, while cost-competitiveness is important, several additional, non-price and institutional factors are keys to the competitiveness of textile and apparel producers going forward.

‘Quality Management – Cost of Quality’
Mukhopadhyay, A. R. (2004) shows that given global competition, reduction of the cost of non-conformance strengthens one’s competitive position by focusing on customer orientation, hence reduction of cost of non-conformance is much more preferable to increasing the volume of sales turnover, especially in a competitive market or a recession.

Various models of competitiveness related to textiles are also studied. Porter’s Diamond model is used by Kathuria (2008) and Jin and Moon (2006) to study Indian clothing export sector and Korean apparel industry. IEA model is used to study the benchmarking of competitiveness in Textile industry by Bilalis (2007). Kathuria also used the Balassa’s Index of RCA to compare the competitiveness of textile industry of India and China.

Kathuria, L. M. (2008) in ‘An Analysis of Competitiveness of Indian Clothing Export Sector Using Porter’s Model’ discussed that from January 1, 2005, the Multi-Fibre Arrangement (MFA) has been replaced by the Agreement on Textiles and Clothing (ATC), under which the world trade in textiles and clothing has become free without the restriction of quotas. In the post-MFA phase-out era, Indian clothing exporters are likely to face tough competition from countries like China, Bangladesh, Vietnam, and Mexico in the international market. Hence, the paper examines some of the general implications of MFA phase-out and undertakes an analysis of competitiveness of Indian clothing export sector with the help of Porter’s Diamond Determinants of National Advantage, namely, ‘Factor Conditions’, ‘Demand Conditions’, ‘Related and Supporting Industries’ and ‘Local Rivalry’. Jin, B. and Moon, H. C. (2006) in ‘The diamond approach to the competitiveness of Korea’s apparel industry: Michael Porter and beyond’ tried to explore what constitutes a country’s competitiveness in the global apparel market after losing its labour competitiveness and how a country effectively achieves it with reference to the Korean textiles and apparel-related industry. This study employs two competitiveness models, Porter’s diamond model and a generalized double diamond model, as a theoretical framework. Along with two theoretical models, this study employs extensive literature reviews, examples of successful firms, and four interviews with field practitioners in the Korean apparel industry. Beginning with Porter
four determinants (factor conditions, demand conditions, related and supporting industries, and firm strategy, structure, and rivalry), new sources of competitive advantage factors are suggested for the evolving industry. The generalized double diamond model incorporates international activities, which may occur either within a country or outside a country. Utilizing generalized double diamond model, the future directions and solutions for the industry with the identified new competitive factors were suggested. Bilalis, N., et.al (2007) aimed to present a clear methodological path for assessing the competitiveness of a specific industrial sector with the use of the Industrial Excellence Award (IEA) model developed by INSEAD Business Schools. The IEA model identifies four basic business processes as the fundamental pillars of IE: 1. Supply chain; 2. Product development; 3. Process development; and 4. Operations strategy formulation and deployment and the supporting components of Management Quality. Kathuria (2013) studied the export competitiveness of clothing of India and Bangladesh. He also focuses on the constraints restricting the growth of export share of India in world market and offers suggestions. The paper highlighted various parameters of cost competitiveness of the Indian clothing export industry. India has a cost disadvantage due to higher labour cost, power cost, transaction cost, low labour and technology productivity over its competitors (due to outdated machinery) in garment and made-ups manufacturing.

Tewari, M. (2008) focused largely on external drivers of adjustment: Notably, the ‘disciplining’ pressures of trade liberalization, insertion of firms within global value chains, the role of foreign buyers, global standards and preferential trade agreements in shaping export performance. The case of Indian apparel, and the history of its recent export growth, was used to highlight the domestic dimensions of export competitiveness. The role of the state, contradictory institutional legacies of India’s Import Substitution Industrialization, contested shifts within local regulatory regimes and the changing structure of the domestic market were studied for their central importance to shaping the incorporation of a shielded industry into the global economy and the nature of its export trajectory.

Various International Trade Laws related to textile industry are studied by Kathuria (2008) on replacement of Multi-Fibre Agreement (MFA) by Agreement on Textiles and Clothing (ATC) since 1 January, 2005 and Datta (2006) on regional trade pacts like NAFTA.
2. Literature Review

Export is considered as one of important factor of competitiveness and competitiveness can be measured by measuring export of any item or of any country (Balassa’s RCA). In case of export of handloom textiles in India there are many governing bodies that look after export.

The Handloom Export Promotion Council (HEPC)

It is a statutory body constituted under the Ministry of Textiles, Government of India to promote the export of all handloom products like fabrics, home furnishings, carpets and floor coverings, etc. HEPC was constituted in the year of 1965 with 65 members and its present membership is around 2000 spread all over the country.

Kathuria (2013) has predicted that India will get a significant share of the world textile and clothing trade due to the advantage of cheap labor and other factor resources but India’s slower growth rate, as compared to other low cost competitors, indicates otherwise. India has certain advantages in the T&C sector because of its excellent multi-fibre raw material base, with a wide range of count composition; a well-developed network of research and development (R&D), design, and testing institutes, and a surplus labor force. India is the second largest producer of cotton (23 per cent share of the world market), the largest producer of jute (63 per cent), the fifth-largest producer of synthetic fibre/yarn (6.5 per cent), the second largest producer of cellulose fibre (13.5 per cent), and among the top nine producers of wool. Many studies predict that India, China, and Bangladesh will be the emerging players in the world clothing trade in the post-MFA phase-out era, the gap between the growth rates of these countries is widening at a faster pace. It is feared that India may forego its market share to other low-cost countries like Bangladesh, Vietnam, and Turkey etc.

He also discusses the significant factors influencing India’s competitiveness in the world clothing trade. Unit labour cost is one of the most commonly used indicators of cost competitiveness. In a real multi-country world which allows for less than full employment of resources, exports of a labour-intensive product from one country would lose market share to producers from other countries having advantage in labour cost competitiveness. Indian T&C manufacturer-exporters incur additional costs on account of non-refund of state level taxes and duties, an anomaly in duty drawback rates as the rates are insufficient to neutralize the incidence of all duties and high transaction costs. International competitiveness is a matter largely of costs, i.e. which country is able to deliver the product to the market most cheaply. Transportation and communication costs and trade barriers and trade strategy may all play a
role. Also, for India, higher cost of power and steam further reduce India’s competitiveness. Another distinguishing feature restricting the competitiveness of this industry is the presence of small units mainly dominating the fragmented clothing industry, thus denying the benefits of economies-of-scale. This fragmentation and small-scale of the industry is the result of government policies that favoured rigid labour norms, tax benefits given to small-scale units that motivated industrial units to maintain low capacity levels. The majority of the total employment in the industry is in small firms.

Using the above parameters as the basis, the present research work has incorporated in the context of Handloom industry, in addition to the productivity, the significant parameters of ‘quality’ and ‘art and aesthetic value’. Hence the definition of Paithani Industry Competitiveness Index (PICI) considers mainly three characteristics – Assets, Operations (Productivity and Efficiency) and QIS (Quality, Innovation and Sustainability). The Competitiveness is measured along with three sub-indices, 14 Determinants and finally they are evaluated for 41 separate parameters. Additionally 2 more sub indices with two Determinants and ten parameters are evaluated and the PICI is adjusted for these sub indices.

2.8. Co-operatives Societies in the handloom and textile industry

The significance of the co-operative structure of operations in Textiles and other sectors, in India and elsewhere were explored to understand the role of the co-operatives in the handloom sector. Studies on weavers’ co-operatives and other co-operative are reviewed.

Kar (2012) studied the case of ‘Sambalpuri Bastralaya Handloom Cooperative Society Limited’ (SBHCSL) or known as ‘Bastralaya’ which is a rural community based co-operative enterprise from the state of Odisha. The study uses a unique qualitative research method called ‘narrative enquiry’. A traditional knowledge based intensive community enterprise (CE) is studied as an example of one of the largest production cum sales, primary weavers’ cooperative society (PWCS) in India. The management, operations and the significance of the society is studied in detail. Bromwich (2012) has studied the case of farmer cooperatives in Shandan County, Gansu Province, China focusing on enterprise management and training, and monitoring and evaluation issues and outcomes. Kapoor (2011) has studied a TQM journey of ‘MilkFed’, a major milk producing cooperative in the state of Punjab to demonstrate how TQM principles have been used to create an organization-wide environment
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of continuous improvement in a cooperative sector organization Lalvani (2008) has looked with a political and economic perspective at Sugar Cooperatives in Maharashtra. The origin of powerful sugar lobby and the cooperatives being an instrument for rural development with local initiative since 1950s was studied.

Legislations for cooperatives
The Co-operative Act 1904, The Co-operative Societies Act 1912, Bombay Co-operative Societies Act 1925. The Pravaranagar Sugar Cooperative was the first known successful example of sugar cooperative in Maharashtra became nucleus for socio-economic rural transformation. Since 1961, different types of cooperatives besides primary agricultural service cooperatives came into existence. They are Cooperatives of cane growers, cotton growers, milk farmers, forest laborers, tribals, village artisans, fishermen and many.

Economic benefits of cooperatives
Cooperatives are effective as an ideal instrument for bringing about socio-economic change. The benefits of cooperatives from various studies are as below.

1. Cooperatives increase the community income through collectively improving members’ production and marketing capabilities. For individual members (farmers) of a cooperative structure offers increased economic of scale by lowering unit cost in production, processing and distribution. Collective marketing results lower transaction cost and higher prices for farmers. (Bromwich, 2012)

2. Growth of cooperative credit, generation of employment and education are some of the indicators of success of cooperative societies.

Challenges of Co-operatives
Various studies have noted the shortcomings and reasons of failure of cooperatives in India. Economists have failed to recognize political dimension of cooperative policy. The gap between economic principles and political reality has worked two ways. Development of powerful sugar ‘lobby’ and rise of leaders as sugar ‘barons’ has played an important power structure in State shaping socio-economic fabric of Maharashtra. However on the other side four committees have been appointed by government of Maharashtra (Gulabrao, Shivajirao, Godbole and Rane Committees) to study the sickness of Sugar Cooperatives since 1980. (Lalvani, 2008) Frequent incidences of rise of leadership (like protest by Raju Shetty for minimum rate per tonne of sugarcane in 2013) dealing with the problems of cane growers are
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the indicators of the status of the significant political role of sugar sector and its economic impressions on the farmer level. Cooperative limited to only agricultural service, non viable in existence, limited effective coverage and difference in membership and loan disbursement ratio due to poor financial state and incapacity to give credits to members and absence of professionalism.

2.9. Geographical Indications of Textiles in India

A study of textiles would be incomplete without incorporating the literature on Geographical Indications (GI) of Textiles in India. Literature Review of GI is mainly conducted on two streams – GI registration of Textiles in India and GI infringement and effective usage of GI with protection practices.

(Raju & Choudhary, 2013) give a comparative state profile of Odisha as leading example with nine items of textile products registered for Geographical Indications till January 2013. Issues and challenges of GI infringement in India (Nanda, 2013) talk about the legal framework of GI in India, India’s experience with GI protection and some case studies to see impact of GI registration like Muga silk of Assam, Banaras brocades and saris, Malabar Pepper and Vazhkulam Pineapple. The study of legal protection of GI in India and the study of international agreements of TRIPS, WTO and IPR to see if enough international standard for GI protection is in place in most of the counties (Nair, 2011) is studied. The international trade laws like GATT, WTO, IPRs, TRIPS (Trade Related Aspects of intellectual Property Rights) and Geographical Indications (GI) in Indian perspective are also reviewed. (Desai, 2009). Bagade & Mehta (2014) studied the challenges of GI in India and the study of the functions of GI, historical development, prominence of GI, challenges and problems of GI act, infringement and protection of GI. Use of GI and other IPs as strong determinant of economic growth and the impact of a strong IP regime on the economic development of a nation have been emphasized and with the growing recognition of IPR, instances of infringements of IPR in developing nations are visible and hence the importance of worldwide forum on IPR has been realized. (Rai, Singh & Sharma, 2009) Similarly (Gautam & Bahl, 2010) gave the historical development, socio-economic implication of GI in developing countries, and the issues and concerns of GI. Marie-Vivian, 2010 in ‘The Role of the State in the Protection of Geographical Indications: From Disengagement in France / Europe to Significant Involvement in India’ states that ‘post- TRIPS Agreement (the
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Agreement on Trade-Related Aspects of Intellectual Property Rights) India shows a state and its agencies which are very active in the process of filing GI applications, including being themselves the applicant and eventually the proprietor’, due to lack of strong producer organization in India. The significance of GI is studied in various studies. The Indian Ministry of Commerce (2001) has stated that ‘by protecting the cultural diversity of a country, GIs also play role in the protection of its national identity against the fear of its dilution by the internationalization of the culture.’ A consumer survey done in Europe (WTO, 1999) revealed that 40 percent of consumers surveyed were willing to pay a premium of 10 percent for origin-guaranteed products.

The challenges of GI implementation are important to study. The key socio-economic issues relating to geographical indications relevant to developing countries include misappropriation, protecting traditional and indigenous knowledge, improving market access, creating niche market, protection of reputation, potential income effect and rural development. Unless a geographical indication is protected in the country of its origin, there is no obligation under the TRIPS agreement for the other countries to extend reciprocal protection. (Gautam and Bahl, 2010) To get all the commercial benefits of the GI, an effective post-GI mechanism is essential to protect the GI. GIs are understood by consumers to denote the origin and the quality of products. Many of them have acquired valuable reputations which, if not adequately protected, may be misrepresented by dishonest commercial operators. False use of geographical indications by unauthorized parties is detrimental to consumers and legitimate producers. The former are deceived and led into believing to buy a genuine product with specific qualities and characteristics, while they in fact get a worthless imitation. The latter suffer damage because valuable business is taken away from them and the established reputation for their products is damaged. With GIs increasingly influencing trade both at the national and international level; harnessing trade benefits depends on the degree of protection enjoyed by the owners of the GI. Protection of Geographical Indication (GI) has, over the years, emerged as one of the most contentious IPR issues. Given its commercial potential, legal protection of GI assumes enormous significance. Without suitable legal protection, the competitors who do not have any legitimate rights on the GI might ride free on its reputation. Such unfair business practices result in loss of revenue for the genuine right-holders of the GI and also misleads consumers. Moreover, such practices may eventually hamper the goodwill and reputation associated with the GI.
FAQs on GIs published by Textile Committee throw light on it. GI can be protected legally. GIs are protected in accordance with national laws and under a wide range of concepts, such as laws against unfair competition, consumer protection laws, laws for the protection of certification marks or special laws for the protection of GIs. In essence, unauthorized parties may not use geographical indications if such use is likely to mislead the public as to the true origin of the product. Applicable sanctions range from court injunctions preventing the unauthorized use to the payment of damaged and fines or, in serious cases, imprisonment. GIs are protected at the international level too. GI protection is granted by the TRIPS Agreement. There are various international agreements (The Paris Convention for the Protection of Industrial Property (1976). The Madrid Agreement for the Repression of False or Deceptive Indications of Source (1981), Lisbon Agreement for the Protection of Appellations of Origin and International Registration of (1958) grant some kind of protection for GIs as an intellectual property right. The WTO TRIPS Agreement of 1994 is currently the principal international instrument for protecting and defending GIs. This agreement provides two levels of protection. A basic protection fixed in Article 22 is for all products which are determined by an act of misleading the public or unfair competition. India, in compliance with its obligation under TRIPS Agreement, has enacted the Geographical Indications of Goods (Registration and Protection) Act, 1999. This act seeks to provide for registration and better protection GIs relating to goods. It excludes unauthorized persons from misusing GIs. This would protect the interest of producers, manufactures and thereby consumers from being deceived by the falsity of geographical origin to economic prosperity of the producer of such goods and promote goods bearing GIs in export market. The act provides registration of GIs (part A) and registration of authorized users / proprietors such as names, addresses and descriptions (part B).

The TRIPS Agreement provides for two levels of protection for GI. What Article 22 provides is the basic level or a minimum standard of protection whereby all GI must be offered protection against use which would deceive the public or constitute an act of unfair competition. Under Article 22 of the Trade Related Aspects of Intellectual Property Rights (TRIPS) Agreement, the scope of protection is composed of three aspects:

- Protection against the use of indications that mislead the public or are deceptive
- Protection against the use of indications in a manner that are acts of unfair competition
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- Refusal or invalidation of trademarks that contain or consist of indications, where it may mislead the public.

Article 23.1 of TRIPS prohibits the use of translations of GI or attachment of expressions such as ‘kind’, ‘type’, ‘style’, ‘imitation’ to products not originating from the place indicated, even where the true origin is clearly indicated. Thus, ‘Champagne style sparkling wine, Made in the USA’ would be prohibited even though this is evidently not misleading. (TERI, 2013) In case of Paithani it is intended to investigate whether such expressions are in use leading to infringement of GI.

Many studies have described the strengths of the Indian GI act in terms of Economic Growth, Rural Development, Originality of the product, Quality and Competitiveness of product. From the perspective of a developing country, one of the best features of the Indian Act is the comprehensive definition given of GI, whereby agricultural, natural and manufactured goods all come under the ambit of GI. This is especially important in the Indian context considering the wide variety of goods that is deserving of protection ranging from agricultural products like Basmati, Darjeeling tea to manufactured goods such as Banarasi sari, Kolhapuri chappals, Chanderi silk etc. (TERI, 2013) The IPR framework in India is stable and well established from a legal, judicial and administrative point of view and is fully compliant with the Agreement on Trade-Related Aspects of Intellectual Property Rights. India is committed to wide range of international treaties and conventions relating to intellectual property rights. Simplified procedure for filing, E-filing facilities and incentives for SMEs are some of the other initiatives in the area of intellectual property rights in India. The government of India has admitted the importance of establishing vibrant IP regime in the country by efficient processing if IP applications, adopting best practices of IP processing, strengthening public delivery of IP services with high transparency and user friendliness. The development of Intellectual Property Rights (IPR) over the years has invariably brought an upsurge in the outlook of nations towards the aspects of societal and cultural growth, this being said with the preliminary assumption that economic growth has been the most affected realm.’ Hence Intellectual Property is a ‘power tool’ for economic development and wealth creation particularly in the developing world. IPR could be called the ‘Cinderella’ of the new economy. (Rai, et al. 2009) It is believed, that the IPR Protection of unique textiles products

2 http://www.makeinindia.com/policy/intellectual-property-rights/
of the country with a predetermined market linkage strategy would help in brand building of
the product, providing market linkages, generating more employment opportunities and
enhanced income to the stakeholders. Geographical Indications are generally granted for
traditional products, produced by rural communities over generations that have gained a
reputation on the markets for their specific qualities.

GI as an instrument of rural development shall promote the registered products which could
be considerable benefit to the rural economy by improving the incomes of farmers or non-
farmers. GI operates as the indicators of origin from which the product is belonged to. Other
than the authentic source of origin, GI allows the knowledge to remain in the public domain
and the scope of protection is limited to controlling the class and/ or location of people who
may use the protected indication and the rights can potentially be held in perpetuity as long as
the product-place link is maintained. (Commission on Intellectual Property Rights, 2004)
Holders of a GI do not have the right to assign the indication, thus, preventing its transfer to
non-local producers. (Nanda, 2013) Consumers are often observed to pay high prices for the
products with GI. It means that the products with GI display some added value of quality
which is mostly assigned to place, culture and society where the product is produced. For GI
registered ‘Agricultural’ products like Basmati Rice, Nagpur Oranges, Mahabaleshwar
Strawberries etc, the soil, climate, weather, water are the factors which contribute to the
quality of products. For ‘Manufacturing’ products like Mysore Sandal soap, Goa Feni,
Nashik Valley Wine, Kanuaj Perfumes etc, the factors affecting the quality of products are
the raw material available at the particular geographical areas and the method of production.
‘Non agricultural’ goods registered for GI are mainly of textile, handicrafts and jewellery. Ex.
Silk sarees and Banaras Brocade of Varanasi, cotton sarees of Madurai Sungudi, Solapur
Chadar and Kullu woolen shawls have particular local or specific raw material, designated
method of weaving and some designs, motifs which give identity to the particular product
which is nothing but a quality. Hence, GI identifies the quality, quality adds value and value
forces the consumer to pay more, which is nothing but an added profit.

**Creating Brand Value and Value Addition** - GI leads to increase in the price of selling of
the protected products. GI acts as a mechanism that helps producers differentiate their
products from competing products in the market and enables producers to build a reputation
and goodwill around their products that will fetch a premium price. A consumer survey
undertaken in the European Union in 1999 found that 40% of the consumers would pay a
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premium of 10% for origin-guaranteed products (WTO, 2004). A UNCTAD (United Nations Conference on Trade and Development) study has revealed that GI registered agricultural products can fetch a price premium of 10–15% whereas for non-agricultural products it would be of 5-10 per cent. (Das, 2009) Prevent Duplication and Entry Barriers of Fakes - Producers maintaining the quality of their products are exposed to unfair competition from producers who sell lower quality products at the same price. This unethical practice of selling fake products in the name of reputed products to fetch better prices is rampant in the market. In India, for example, cheap Power loom saris are sold as reputed Banarsi handloom saris within and outside Banaras, harming both the producers and consumers of Banarsi handloom saris. While original producers suffer a loss of market for their goods, consumers end up paying inflated prices for fake goods. Consumers usually do not have perfect access to information regarding the prices of goods, and even less so to the quality of the goods. In a situation like this, GI protection has the potential to eliminate information asymmetry and benefit both the producers and the consumers (OECD, 2000). GI allows genuine producers to capture the market and creates entry barriers for ‘fakes’. The GI tag attached to products acts as a signaling device that helps producers to differentiate their products from competing products in the market and enables them to build reputation and goodwill around their products, which allows them to fetch a premium price. (Bagade and Mehta, 2014)

2.10. Gap Identification in the Literature Review

The existing Literature on Paithani is mainly in the main categories of historic, product manufacturing and social aspect of weavers. The literature can be divided in following categories in detail:
1. Historical achievements of the Paithani
2. Manufacturing of Paithani
3. Social development of the weaver community of Paithani
4. Weavers problems and studies of other products of Indian handloom silk sarees
5. The powerloom apparels and garment industry in the world and India

The Gaps identified in the literature are as below:
1. There is limited systematic, scientific research literature on handloom Paithani industry.
2. There is limited literature on measuring competitiveness of handloom industry.
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3. The literature on competitiveness talks either about ‘Product Competitiveness’, ‘Firm Competitiveness’, ‘Industry Competitiveness’ or ‘National Competitiveness’. When we need to measure competitiveness of handloom Paithani saree industry, we need to consider some factors of product competitiveness, some factors of firm competitiveness and some of national competitiveness also. The competitiveness of Paithani cannot be seen as just a firm-level competitiveness study, as there are 100 production units of Paithani in our study. The study focuses on the creation of competitiveness index to measure a segment of the handloom industry, where there are multiple weavers (firms) and is not limited either to product competitiveness or firm competitiveness.

4. There is no existing model of competitiveness which enables study of competitiveness of Indian handloom industry. There is a need to develop specific model of competitiveness by deriving determinants of competitiveness.

5. The model enables to measure competitiveness of Paithani segment and similarly other handloom sarees which can collectively measure the competitiveness of overall handloom sector.

6. There are very limited studies on GI application and cooperatives in Paithani segment and overall handloom sector of India.

With the above literature review and identified gaps, the Research methodology to achieve the desired objectives, has been developed in chapter three.