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The Story of Lijjat: Women’s Entrepreneurship and Empowerment in India

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Abstract: This paper narrates the story of an Indian women’s organisation called Lijjat which is not only a case in women’s empowerment but one of a very successful business enterprise by any standards. Lijjat has grown over a period of half a century from its humble beginnings in 1959 to a growing organisation symbolising women’s empowerment through an enterprise that has a turnover of ₹ 4.85 billion and an enviable brand image for its consumer products. The Lijjat business model offers us insights and solutions in the third and fourth world context to fight poverty and restore dignity. More importantly, it offers us a business model to empower women and thus their families living at C.K. Pras’ “bottom of the pyramid” not only as consumers, but in this instance, in full measure as entrepreneurs and business managers.

Keywords: Lijjat, Women’s Enterprise, Women’s Empowerment, Poverty Alleviation, Women’s Entrepreneurship

Introduction

INdIA’S PHENOMENAL ECONOMIC rise in recent years is being written about, analysed and explored in the media; by consulting firms such as McKinsey’s; by business schools; in business publications and academic journals. The India one hears and reads about mention an India that has received foreign investment of USD 55 billion during 2007-08, an India whose companies (the Tatas, Birlas, Mittal and other business groups) have invested USD 51 billion during the same year buying companies overseas including iconic brands such as the “Jaguar” car in the UK. One reads about Indian companies buying overseas companies in every continent around the world, while at home, Special Economic zones are being set up in almost every part of India. However, in reading about the India analysed by consulting ‘think tanks’ in major financial centres, reputed business schools such as Wharton and London Business School, academia and business publications; we may miss out yet another India, that of women who have not been privileged enough in many ways, but, who nevertheless, have been enterprising and have believed in themselves and in work done by their own hands as a way to self-help, generating much needed extra income that feeds their families. And in the process, they have created a unique business model empowering 42000 women and serving society.

1 www.ibef.org accessed on 17.4.2008
2 www.ibef.org accessed on 17.4.2008
3 A special economic zone is a specially demarcated land area intended to house businesses and the required infrastructure without the shackles of local laws and bureaucracy, and with some tax benefits given to the businesses operating from such zones.
This paper narrates the story of ‘Lijjat’, a case in women’s empowerment and a business model of women’s enterprise. None of the women behind Lijjat have business school degrees or much exposure to the corporate world of business, nor do they have the privilege of starting at the top of an organisation. It is their faith in themselves that has been instrumental in creating an enterprise that has lasted and grown over the past fifty years with no other parallels. This is a classic business model that conveys an organisation’s commitment to a people-driven culture as opposed to a market-driven one, enriching the organisation without hitting the bottom line. It simultaneously generates many social benefits in addition to profits, creating networks of social capital for bettering women’s lives and that of their future generations. The story of Lijjat is also the story of the spirit of India’s vibrant women with all the limitations imposed on them which they have attempted to overcome in this case. Their story and the business model created by them can be an inspirational model for underprivileged women around the world in their day to day struggle against poverty and gender discrimination. It is a model that encourages women to meet such challenges more boldly through creation of social networks of enterprise in order to achieve empowerment and financial freedom. It is another perspective on CK Prahlad’s “bottom of the pyramid” theory; but in this case, the “bottom of the pyramid” plays the role of producers, entrepreneurs and business managers.

The paper is largely based on personal interviews with the Lijjat team at Mumbai, visits to Lijjat’s manufacturing facilities at Navi Mumbai, review of available literature on Lijjat which is scant and the use of social capital theory as a part of the concluding discussion. The first and second section of the paper traces the humble beginnings of Lijjat that was started in March 1959 with seven members and its growth into the organisation it is today. The next section of the paper analyses the organisation, its structure, its philosophies, its operations and operational policies, the elements of centralisation and decentralisation in its operations. The last two sections of the paper discuss the principles underlying Lijjat’s business model, its relevance in the creation of social capital and the synergies achieved through the creation and sustenance of such networks of social capital. It explores the potential of replication of this model in other parts of the world for producing quality home based food products on a mass scale, and in alleviating global poverty, in empowering women and in the creation of people-driven enterprises from within the community and more particularly the long discriminated, often-silenced global community of underprivileged women.

**Lijjat: Humble Beginnings**

On March 15, 1959, seven women from Girgaum, an old suburb of central Mumbai (which has a large number of tenanted buildings comprising of one and two room tenements and therefore, home to many families from a weaker socio-economic order of Mumbai) started making papad as a group with the objective of selling them in order to supplement their family incomes. In the early days of their joint venture, these seven women rolled papads

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5 Based on Personal Interviews with Lijjat officials at Mumbai and information accessed from [www.lijjat.com](http://www.lijjat.com)
6 A papad is hand rolled out of dough made of oil, ground pulses and spices and is circular in shape similar to Indian breads. Once a papad is rolled out, it is dried and is ready for storage for months. It is eaten by either frying it in a pan of oil or by roasting it on a low fire or microwaving it. The western world knows it by the name of papadoms which is the name for papads in the Southern part of India.
at home and on the terrace of their building. They pooled their production together and sold it to a trader in a local market. The group continued to successfully make papad and sell them without much marketing effort as their entire production was purchased almost instantly every day by the local traders, signifying more demand in the market. The group decided to increase their production capacity to meet the untapped demand and sought additional members to join their venture. Without increasing the number of members in the group, they would not be able to increase production simply because the process of rolling papad is labour-intensive and an individual can only roll out a certain amount of papad per day given the physical and time constraints.

By 1961, about one hundred and fifty women had joined the group to make papad and share profits from the sales. In order to provide space for rolling papad to these additional members, the group acquired space by renting rooms in the same tenanted building where they lived. The group continued to successfully roll and sell papad, and share profits and losses equally between all members. Over a period of time, the concept of equal sharing of profits and losses and co-ownership became the core working philosophy of Lijjat. Every woman who joined the group became a co-owner instantly without investing any money and she got down to the task of rolling papad and contributing to the pool of production. She enjoyed an equal share in the profits/losses from the sale of papad as a part of the group. However, if she left the group then she would not be entitled to anything thereafter.

By the end of 1962, three hundred women had joined the group and this posed the challenge of securing enough space to provide working areas for them. The available space could not hold all three hundred women and buying or renting more space was not an economically viable option in Bombay (now Mumbai) where real estate has always been the most expensive in India. A new production strategy emerged out of this challenge that shaped the current Lijjat business model. The Lijjat team decided to overcome work space constraints by distributing kneaded dough to their members to take home and roll out papad which they had to bring back the next day. Introduction of this practice contributed to the creation of a new business model that meant advantages of lower overheads, more flexibility for members to choose their hours of work, scope for expansion of membership, increased productivity, scope for geographical expansion and personal accountability for production. It also meant problems associated with coordination of production, stricter quality control and a strong need for accuracy in record-keeping.

This model laid the foundations of today's Lijjat as it offered possibilities for expansion of production far beyond anyone's expectations without any significant investment. It is to the credit of the women at Lijjat who managed these changes, created and implemented a production model and a supply chain for their key product papad, based on partial backward integration, that is both successful, as well cost and time efficient (see figure 1). In the process, they dealt with new challenges of co-ordination, quality control, record-keeping, storage and marketing as the organisation expanded. The women at Lijjat had no access to professional management training nor the managerial expertise; but they coped and relied on their instincts, abilities and hard work to make their business model mature into Lijjat's current organisational structure.
**Lijjat Today**

At the time of writing this paper in March 2009, the Lijjat organisation completes 50 years of its existence. In its golden jubilee year, Lijjat comprises of 69 branches run as independent profit centres and 35 divisions spread over 17 states in India manufacturing and distributing nine different consumer products, namely: Papad, khakra, detergents, masalas, Gehu atta, Bakery products, Vadi, Chapati, Ready mix masalas. Nevertheless, the humble papad remains Lijjat’s principal product. The operations at all these branches and divisions are broadly controlled from one central office in Mumbai which is also responsible for critical decisions such as capital acquisitions and investment decisions, material purchases, import of raw materials and distribution, quality control of finished products at branches, accounting and finance functions, general administration and policy decisions, marketing, advertising and public relations (Personal Communication, 2008).

Lijjat is the brand name of the women’s organisation known as *Shri Mahila Griha Udyog Lijjat Papad* (which literally translated reads as ‘The Women’s Home-based Enterprise Lijjat Papad’). Lijjat’s products are well accepted in the market and are known for their quality. Lijjat has become a household name enjoying very strong consumer loyalty, recognition and a brand association with a quality product symbolising women’s strength. Moreover, the brand “Lijjat” is synonymous with papad. In recognition of its quality brand image amongst consumers, Lijjat received the “brand equity award” from the President of India in December 2005. The organisation achieved a sales turnover of I. Rs 4.85 billion

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8 Khakra is a snack from the western region of India.
9 Masala is the general Indian term for spices.
10 Gehu atta is the Hindi term for wheat flour used in making various Indian breads
11 Vadi is a lentil snack from the western region of India.
12 Chapati is a popular Indian staple bread rolled out of wheat flour.
13 Ready mix masalas are a concoction of spices prepared and sold in a packet for cooking specific dishes.
(including an export sale of 1. Rs. 240 million) last year. Even after fifty years the hand rolled ‘Papad’ remains its principal focus and the dominant product in the organisation’s product mix.

The organisation is registered as a trust under the Bombay Public Trusts Act, 1950 and being a trust it is not owned by any single person but by all women who work for it and enrol as its members. Any woman, regardless of her caste, creed, religion, age can become a member of Lijjat. One becomes a member by signing a pledge with Lijjat which confers the status of a part owner of Lijjat and a ‘member-sister’ (as termed in all Lijjat’s communications). One ceases to be an owner when one stops working for Lijjat or if one chooses to leave or is asked to leave under some extraordinary circumstances. Today, Lijjat has 42,000 members spread over 17 states in India. Many members remain with Lijjat for a lifetime and their association with Lijjat becomes a part of their life and family. One of the pioneering members of the very first group of the seven women who formed Lijjat, Mrs. Jaswantiben Popat in 1959, continues to be a member-sister. Both, Lijjat and Mrs. Popat were nominated as “Business Women of the Year for Corporate Excellence” during 2002 by Economic Times, India’s leading financial newspaper in recognition of their entrepreneurial contribution.

Lijjat products are sold all over India and exported to USA, UK and other European countries, the Middle East, Thailand, Singapore, Australia and a host of other nations through merchant exporters. The demand for Lijjat’s products is such that dealers and merchant exporters buy them on a “cash and carry basis” while the organisation’s distributors maintain an advance deposit account with the company from which the cost of goods supplied is deducted (Personal Communication, 2008). As a result, inventory-carrying cost is minimal and the gestation period between sale and realisation of sale proceeds is nil. This is an enviable situation which major companies engaged in manufacturing consumer food products in India such as Nestle, Cadbury and Hindustan Lever would like to be in but would find it difficult to achieve.

Being a people-driven organisation embedded in social networks, the organisation has donated generously towards many national and community causes as it has grown over the years. Lijjat also provides financial support and scholarships to encourage education amongst the children of its member-sisters and has promoted literacy classes for its member-sisters. Another major initiative on part of Lijjat that informs its member-sisters and engages them with the organisation is through Lijjat Patrika, the in-house publication which communicates to its member-sisters significant events and new initiatives at Lijjat. The publication also acts as a platform for promoting education and literacy within the families of the organisation’s member-sisters.

**Principles Underlying the Lijjat Business Model**

The core principles underlying the Lijjat business model is self-help and dignity of labour for the upliftment of oneself and the community. It is a form of the Gandhian concept of *Sarvodaya* and the first step in self-determination and establishment of one’s own identity in society. *Sarvodaya* is at the very heart of the organisation’s business model. The organisa-

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15 Ibid.
16 *Sarvodaya* is a word coined by Mahatma Gandhi sometime in 1908 indicating the concept of self help and dignity of labour for the upliftment of the community.
tion is created around the needs of its member-sisters (who largely belong to a socio-economic class in India that has been deprived and discriminated against for generations) who are full time caregivers to their children and families, and yet are motivated to add to their family’s much needed income and work to uplift the next generation through education. Lijjat offers this opportunity to its member-sisters and offers them self esteem and dignity signifying a social network that adds value and creates social capital.

Second to Sarvodaya is Lijjat’s constant emphasis on ‘product quality’ of all its products. To ensure that all 69 branches located in different parts of India make products of a consistent quality, Lijjat’s central office in Mumbai handles purchases of major raw materials including sourcing of all ingredients from the best suppliers possible (both at home and from overseas). Ingredients most critical to the making of very good quality papad, such as dal and flour has been backward integrated by Lijjat into its supply chain by establishing its own flour and dal processing mills. In addition, the central office runs a quality control testing laboratory which tests products from all 69 branches in order to ensure that they meet the expected quality standards. This in turn has helped brand Lijjat to command consistent sales, customer loyalty and distributor commitment in the Indian market with a similar loyalty in the export market. The demand for Lijjat’s products, especially the humble hand-rolled papad, has been the cornerstone of its success.

The third principle and a policy decision made at the time of Lijjat’s inception, linked to Sarvodaya, was that the organisation would not seek donations nor accept them, but shall sustain itself as a commercial enterprise on the basis of achieving profitability. This core principle has been translated into Lijjat’s sales policy and cash flow management. Sales are instantly converted to cash because sales are always as cash in advance with order (as stated in the previous section, Lijjat’s distributors have to maintain advance cash balances against which they receive their supplies) or cash and carry basis. Credit is never offered by Lijjat and no exceptions are made. This is also evident in Lijjat’s cash flow and collection policy which is based on cash sales or sales against cash advances. Based on these two overarching principles of ‘Sarvodaya’ and ‘product quality’ and a standard policy of cash only sales, Lijjat has built a business model comprising of a team of 42,000 member-sisters committed to producing a quality product for the community while building a better life for the organisation’s member-sisters and their families.

Lijjat lists on its website three core values that have shaped the organisation and its culture, namely i) the concept of business ii) the concept of family iii) the concept of devotion and these in turn have also helped shape the Lijjat business model. The first concept relates to a pragmatic approach to running the organisation on sound commercial principles by producing quality goods to be sold at reasonable prices. This is translated in the form of treating each of the 69 branches as independent profit centres responsible for their individual performance. If any of the branches seem to make a loss then the member-sisters increase or reduce their papad making charges (which is per kilogram of papad made) and other cost-cutting measures are adopted almost immediately. This can be done because from 1959 onwards Lijjat’s accounts are balanced on a daily basis and a trading result of profit/loss including a balance sheet is worked out every month. Thus, almost instant availability of accounting information enables Lijjat to take cost-cutting measures within a month. However, if a branch

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17 Lentils
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continues to make losses then those branches that are unprofitable are eventually closed. Likewise, each individual member is also accountable for their work and the organisation’s commitment to quality products. Each member-sister has to produce products that meet acceptable quality standards if they intend to remain in the organisation.

The other two concepts of ‘family’ and ‘devotion’ explicitly convey that Lijjat is a people-driven organisation run like a large family committed to the welfare of its member-sisters displaying mutual family affection, concern and trust between member-sisters who form the family. The concept of devotion refers to the relation between the member-sister and Lijjat. The member-sister is expected to treat Lijjat not merely as a place of earning her livelihood, but as a place of worship where she has the opportunity to work not only for her own benefit but also for others. This is based on the principle of “sarvodaya”. These two concepts of ‘family and devotion’ become operational through the process of consensus decision-making and transparency in all dealings, election of office bearers and the day to day management at Lijjat.

The Lijjat business model is one of empowerment of its member owners by giving them a means of livelihood coupled with a sense of belonging to a group that shares certain values and beliefs. The model however does not hold the attraction of retention of ownership as a result of one’s past work. If a member-owner ceases to work for whatever reason then the wealth generated by that person’s work belongs to the other continuing owners.

Lijjat as a Social Capital Creating Entity

Lijjat as an organisation can be seen as a process of creating social capital and adding value to society through social networks. Applying social network theory from a diverse range of perspectives of different authors, one finds that all of it applies to Lijjat. One of the earliest theorists of social capital, Bourdieu (1985:249) writes that “profits which accrue from membership in a group are the basis of the solidarity which makes them possible.” Here the author emphasizes on the profit-making aspect of the social network and this aspect does apply to Lijjat. Likewise using a resource based perspective from Nahapiet & Ghoshal (1998:243) social capital is seen as “the sum of the actual and potential resources embedded within, available through, and derived from the network of relationships possessed by an individual or social unit” and this too applies to Lijjat.

A broader perspective on social capital applicable to Lijjat is from Putnam (2000). He defines social capital as “features of social organisation, such as networks, norms, trust, that facilitate coordination and cooperation for mutual benefit.” The story of Lijjat and its member-sisters can be summed up from the social capital theory advanced by Cohen & Prusak (2001:4). The authors write in their work, “social capital consists of the stock of active connections among people; the trust, mutual understanding, and shared values and behaviours that bind the members of human networks and communities and make cooperative action possible.”

Against this backdrop of Lijjat as an institution built on social networks and an institution that creates and contributes to social capital, the Lijjat model holds enormous promise for the “bottom of the pyramid” around the world. It is of great significance, more specifically to those nations where women are struggling to cope with economic hardships and the challenge to establish their financial identity and retain their self-esteem and better their own lives and that of their future generations. Delegations from different parts of the world have
visited Lijjat in recent years, in order to understand and replicate this model in their country. It is not known whether some of them have actually adopted or have successfully adapted the model or not. However, the Lijjat model can be successfully replicated in any part of the world and applied to any product or service that can be created at one’s home using one’s labour with support from a social network of similar people working on the same lines. The model has two prominent actors, one is the individual who forms the network and the other is the network as an entity in itself. The individual plays the role of the production unit for the network entity while the entity takes up the roles of marketing, financial management, and management in general for sustaining the social network of empowering the individual, which is perhaps the key motivational factor for this 4.85 billion rupee enterprise.

Acknowledgements

Our sincere thanks for the interview, resources and time given by Mrs. Irene Almeida, General Manager, Lijjat’s Head Office at Mumbai and to Mr. Kirit Mehta, Chartered Accountant and Vice President of SGKM Education Trust, Mumbai, India.

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