CHAPTER TWO

REVIEW OF LITERATURE: TAXONOMY

LITERATURE

- INNOVATIVE CAPACITY BUILDING IN MSME
- METHODOLOGICAL ASPECTS
  - SYSTEMS VIEW
  - BLUE OCEAN STRATEGY

CLUSTERS VIEW

- HIGH END CLUSTERS
- MSME

VULNERABILITY ANALYSIS

VARIOUS TYPES OF INDUSTRIES

- TEXTILE
- FOUNDRY
- GLASS
- WOOD
- PLASTIC
  - FOOD
  - CHEMICALS
  - STATIONARY
  - PAPER

MODERN

TRADITIONAL

- CHAMBA RUMAL
- BLOCK PRINTING
- CHANDERI
- PHULKARI
- BANARAS BROCADE
- MADHUBANI

Introduction:

The traditional textile clusters are one of the most vulnerable sectors of our country. In most clusters, the major problems reiterate. This industry has played a significant role in the creation of the world’s most precious masterpieces. This
industry has drawn attention of many buyers and researchers across the globe and lot of research is being done in this sector for its revival, restoration, preservation and sustainable promotion. The current chapter on review of literature presents the past researches done on the significant issues of this industry.

An extensive review of literature was performed with a focus on reaching the root cause of the vulnerabilities in the traditional textile clusters along with studying the operating business units functional in existing clusters serving the handloom and handicraft textile market. A broad classification of the literature was performed by the researcher. A summary of the literature reviewed under the given classification has been exhibited in following Table:
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Table 2.1.b-International Reviews:

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### 2.1. NATIONAL STUDIES AND STATUS

#### 2.1.1. HR Related Issues

The Phulkari clusters are dominated by poor women. These clusters have a sizeable number of poor people and SC persons. By bringing these people into groups and supporting various aspects like marketing, quality improvement etc, these clusters...
can be developed in a systematic manner to increase income of the people. (Rural Livelihood Mission: NRLM, 2014)

The major challenges faced to develop these livelihoods are training HR and design improvements according to the tastes of consumers as well as non-availability of timely and adequate credit to these clusters stake-holders.

Hundreds of women who make phulkari dupattas are perhaps the most poorly paid artisans (Khanna, 2009). The absence of government support and initiative to promote this craft has ensured that these artisans remain unorganised and are prone to exploitation by middlemen, who make a neat profit.

The strength of the handloom sector is its large and skilled labour (Narasimha Reddy, 2010). This is also the strength of the Indian textile sector. It is time that government recognized the value of the handloom sector in achieving sustainable development of the country. On its own, government would never be able to provide employment to such a large workforce.

More than 3 crore families are dependent on this sector for their livelihoods. Properly handled, with an emphasis on human resource development and a sector capable of absorbing them in productive employment, the presence of skilled weavers in an environment would be a major advantage.

2.1.2. Design & Technology Related Issues

The major challenges faced to develop livelihoods in the phulkari cluster are design improvements according to the tastes of consumers and non-availability of timely and adequate credit to these clusters stake-holders (National Rural Livelihood Mission: NRLM, 2014). The near absence of design inputs and government initiative to promote
this craft has ensured that these artisans remain unorganised and are prone to exploitation by middlemen, who make a neat profit (Khanna, 2009).

Structural adjustments resulting in the integration of an economy in the global trade system harms most traditional activities, notably handloom (JULAHA, 2006). The 6.5 million weavers in India and the majority live in extreme poverty, with a daily remuneration of 1 USD.

Traditions of exception are also vanishing under the pressures of market forces and a world heritage is under threat. JULAHA’s mission is to design and enhance product development capabilities through workshops that build the weavers’ product and market awareness, and support production diversification. The approach puts particular emphasis on reviving traditional designs and on generating an autonomous product development process.

The Office of the Development Commissioner (Handlooms), Ministry of Textiles, Government of India, (2011), has introduced Comprehensive Handloom Cluster Development Scheme for integrated and holistic development with special inputs of new designs in the Varanasi Handloom Cluster. The Varanasi Cluster has about 45,000 working handlooms.

2.1.3. Branding Related Issues

Handwoven products are much in demand today. For a buyer seeking value for money, identifying a genuine handloom product is a challenge. This is where ‘Handloom Mark’ can help establish genuine handloom products and ensure appropriate income/returns for products made by socio-economically backward weavers. There is need not only to preserve the traditional skills of weaving but also to upgrade the
designs in a contemporary context to find a market both in domestic as well as international arenas (Menon, 2010).

The way ahead is to pursue Brand building of handloom products which is the need of the day and to make them niche products for the high end consumers and the fashion conscious youth. In fact the handloom sector should develop a strong linkage with Sericulture sector so as to have viable linkage right from reeling and weaving onwards.

2.1.4. Revival of Art Form & Conservation Related Issues

There is emphasis on the need not only to preserve the traditional skills of weaving but also to upgrade the designs in a contemporary context to find a market both in domestic as well as international arenas (Menon, 2010).

There is need to preserve the traditional craft as well as to integrate it in contemporary context by involvement of Public Private Partnership by conserving the traditional weaves under the Geographical Indication Act (Registration and Protection Act, 1999) to prevent these skills from languishing or being copied.

By the 20th Century, the Phulkari cluster was reduced to a lost art and has been under vulnerability of extinction. Quality of products had deteriorated and this craft form has become a caricature of itself (Prabhjot Kaur, 2011). Lack of expertise and exploitation of the craftsperson’s by middlemen, inability to reach artisans and craftsman (physically and communication wise) has led to downfall of this traditional Handicraft.

2.1.5. Socio-Economic Issues

Till early 19th century, the Phulkaris were produced for domestic consumption (within the family) only. It was only in later part of the 19th Century, in times of
famines and hardships that the Phulkaris were put to sale and commercialization. It let to impressive time saving patterns adopted in cheaper material that destroyed the genuine spirit of Phulkari (Prabhjot Kaur, 2011). Lack of expertise and exploitation of the craftsperson’s by middlemen, inability to reach artisans and craftsman (physically and communication wise) has led to downfall of this traditional Handicraft.

If commercialisation has failed to remove the tradition of making phulkari, the plight of hundreds of women who make a living by practising this traditional craft, too, remains unmitigated (Khanna, 2009). Hundreds of women who make phulkari dupattas are perhaps the most poorly paid artisans. The near absence of government support and initiative to promote this craft has ensured that these artisans remain unorganised and are prone to exploitation by middlemen, who make heavy profits.

Field work for improving social conditions and to preserve authentic brocading started in Varanasi during 2007 with the assessment of the weavers’ needs (JULAHA, 2006). According to this organisation, structural adjustments resulting in the integration of an economy in the global trade system harmed most traditional activities, notably handloom.

The 6.5 million weavers’ in India and the majority live in extreme poverty, with a daily remuneration of 1 USD. Traditions of exception are also vanishing under the pressures of market forces and a world heritage is under threat. Julaha identified issues like alleviation of poverty of the more distressed populations of weavers through capacity building, facilitation of market access, and social and environmental initiatives be taken.

2.1.6. Economical, Financial, Cost Related Issues

Government is aware of the problems being faced by the weaving societies due to steep increase in the prices of Zari and the resultant increase in the input cost of silk
sarees (Journal of Ministry of Textiles, 2010). The Office of the Development Commissioner for Handlooms, Government of India is implementing Mill Gate Price Scheme (MGPS) under which all types of yarn including Zari is made available at Mill Gate Price to the eligible handloom weavers throughout the country so as to facilitate regular supply of basic raw materials to the handloom sector and help utilize the full employment potential of the sector.

The National Textile Policy was also formulated for development of the textile sector in India in order to nurture and maintain its position in the global arena as the leading manufacturer and exporter of clothing (National Textile Policy, 2000). It aimed at encouraging Foreign Direct Investment as well as research and development in this sector; Stressing on the diversification of production and its upgradation taking into consideration the environmental concerns; Development of a firm multi-fibre base along with the skill of the weavers and the craftsmen.

2.1.7. Amalgamation, Public Private Partnership Related Issues

There is need not only to preserve the traditional skills of weaving but also to upgrade the designs in a contemporary context to find a market both in domestic as well as international arenas (Journal of Ministry of Textiles, 2010).

Textile Secretary stressed the need to preserve the traditional craft and to integrate it in contemporary context by involvement of Public Private Partnership and underlined the importance of conserving the traditional weaves under the Geographical Indication Act (Registration and Protection Act, 1999) to prevent these skills from languishing or being copied. The handloom sector could develop a strong linkage with Sericulture sector so as to have viable linkage right from reeling and weaving onwards.
2.1.8. Research & Development Related Issues

The Office of the Development Commissioner (Handlooms) introduced Comprehensive Handloom Cluster Development Scheme for integrated and holistic development of Varanasi Handloom Mega Cluster (Ministry of Textiles, Government of India, 2011). As per the diagnostic study and Detailed Project Report (DPR) of the Varanasi Cluster, there are about 45,000 working handlooms.

FICCI (Federation of Indian Chambers of Commerce and Industry, Ministry of Textiles, 2010), suggested for research and Development (R&D) which includes

- Adoption of local/international innovative technologies as role models for the industries.
- MOU with leading international research institutes for conducting joint research projects.
- Creation of incubation centres for technology transfer and acceptability by the Industry.
- Benchmarking R&D at both national/firm levels.
- Encourage adoption of advance synthetic fibres’ and understand the application of genetic engineering, bio-technology and cellular biology in both natural and synthetic fibre-base.

2.1.9. Market Related Issues

Till early 19th century, the Phulkaris were produced for domestic consumption (within the family) only. It was only in later part of the 19th Century, in times of famines and hardships that the Phulkaris were put to sale and commercialization (Kaur, 2011). It let to impressive time saving patterns adopted in cheaper material that destroyed the genuine spirit of Phulkari.
By the turn of the 20th Century, Phulkari was reduced to a lost art and has been under severe threat of disappearance. Quality of merchandise had deteriorated and this once craft form became a caricature resulting in intense market loss. Attempts need to be made to revive the lost art of Phulkari as a cottage industry with the combined efforts of State and Central Government, NGOs, designers and entrepreneurs.

The near absence of government support and initiative to promote this craft has ensured that these artisans remain unorganised and are prone to exploitation by middlemen, who make a neat profit. They are incapacitated to identify prospective as well as existing markets thus remaining oblivious to customer need and demand.

2.1.10. Government Related Issues

Due to irrigation constraints, India’s Cotton production is dependent on the yearly monsoon season (June through September). The lack of transportation infrastructure drives a large part of cotton production into local manufacturing processes (Financial Times, 2006). Farmers are thus not certain about the yield and suffer losses due to inconsistency of rainfall.

A higher level of involvement of institutions and government agencies in cluster-based strategies will increase their potential for achieving cluster development (Kumar, 2005).

The UNIDO intervention at Jaipur textile cluster has proved that the government intervention at some basic level is important (Ministry of Textiles, Government of India, 2005). Most of the units interviewed indicated a demand and requirements for a supportive role of government in cluster-based development. On the contrary, the government has always been an obstacle in India in the development of any SSI cluster.
Industry clusters are a useful analytical tool for assessing the structure of a regional economy. With their help, local policymakers can better understand how their regional economy functions. The Government will continue to accord priority to the handloom sector (National Textile Policy, 2000). Steps would be taken to promote and develop its exclusiveness for the global market.

There is a fairly close association between the export performance of Tirupur and the technological support received from South Indian Textile Research Association (SITRA) (Johnston, 2003; Ganguli, 1996; Krugman, 1991). The impact of SITRA institution on performance of Tirupur clusters in India is considerable (Ganguli, 1996). Certainly this institution appears to be valued by many other industrial research organizations in India. As local economies undergo through development over time, it affects the firm’s future opportunities.

The National Textile Policy (2000) was formulated keeping in mind the development of the textile sector in India in order to nurture and maintain its position in the global arena as the leading manufacturer and exporter of clothing; Maintenance of a leading position in the domestic market by doing away with import penetration; Injecting competitive spirit by the liberalization of stringent controls; Encouraging Foreign Direct Investment as well as research and development in this sector; Stressing on the diversification of production and its up gradation taking into consideration the environmental concerns; Development of a firm multi-fibre base along with the skill of the weavers and the craftsmen.

2.2. INTERNATIONAL STUDIES AND STATUS

2.2.1. HR Related Issues

Analysis of secondary information available from the Census and National Sample Survey Organization reveal that unorganized workers account for about 93
percent of the total workforce and there is a steady growth in it over years (Dhas, Christopher, Helen, Jacqueline, 2008). It was also observed that the unorganized workers would expand further due to globalization.

The author (Darryl D’Monte, 2008) feels the need for an organisation like the CED to document and disseminate the findings on how traditional cotton weavers can have a future while scores of them are committing suicide in their home state in Maharashtra and elsewhere. An official census in 1987-88 estimated that there were between 2 and 2.5 million weavers directly working on handlooms and another 1 million engaged in related activities.

Weavers’ organisations estimate the figure is ten times higher at 20 million working on 3 million handlooms and an equal number engaged in pre and post weaving operations. For every powerloom set up, six handlooms were rendered idle. This meant that every job in the powerloom sector displaces 14 handloom weavers.

She also reports that in 1991, for instance, there were 110 deaths of handloom weavers in AP due to starvation/suicide by 2001, when the quantitative restrictions on imports of textiles were removed and the economy was exposed to globalisation; it was unofficially reported that there were 400 cases of suicides and starvation deaths among handloom and traditional power loom weavers from 1999. Few intense efforts are not enough to reverse the situation where modern market structures have pushed millions to the edge.

The South Asian conditions that prevented industrialization from securing rapid growth in average incomes were rapid population growth and social backwardness that eventually devitalized the Indian artisan (Roy, 1999).

2.2.2. Design & Technology Related Issues
The old trade routes moved traditional textile motifs from one part of the world to another and new traditions created artistic ideas across cultures styling to suit the tastes of the adopting culture (Krody, 2004). The researcher holds the opinion that for a design to live long and live through the dynamics of world cultures, designs should not be developed in isolation but within political and cultural climates as well as existing geographical realities.

2.2.3. Branding, Production, Supply Chain Related Issues

The comparative advantage of low-income developing countries with an assembly process based on relatively low wages does not necessarily translate into a comparative advantage for the management of the entire supply chain when all service-related dimensions are taken into consideration.

Efficiency in managing the entire supply chain is required, including for design, fabric procurement and logistical skills, in transport, quality control and property rights protection, export financing and clearing of trade formalities (Audet & Safade, 2004). Several low-cost countries that excel as off-shore assembly centers are gradually being exposed to the inherent vulnerability of production fragmentation.

Countries that inspire to shift their industrial expertise from manufacturing to the higher value have added segments of the supply chain by upgrading their domestic skills in design, logistics and retail distribution. The author says that leadership role of large retail groups and brand name marketers can reduce the vulnerability of textiles and its products with the blurring of traditional boundaries between the two.

2.2.4. Revival of Art Form & Conservation Related Issues

The old trade routes in moving traditional textile motifs from one part of the world to another and how new traditions are created by transferring artistic ideas across
cultures and then styling to suit the tastes of the adopting culture (Krody, 2004). The researcher holds the opinion that for a design to live long and live through the dynamics of world cultures, designs should not be developed in isolation but within political and cultural climates as well as existing geographical realities.

2.2.5. Socio-Economic Issues

Social capital has effects on industrial clusters. Close networks with strong ties provide benefits for the companies involved in terms of knowledge flow; however, they could also have some negative effects such as knowledge redundancy and obsolescence (Xavier, 2010).

Analysis of secondary information available from the Census and National Sample Survey Organization of India reveal that unorganized workers accounted for about 93 percent of the total workforce and there is a steady growth in it over years (Jacqueline, 2008). It was also observed that the unorganized workers would expand further due to globalization.

Scores of weavers in Maharashtra and elsewhere of India committed suicide (D’Monte, 2008). An official census in 1987-88 estimated that there were between 2 and 2.5 million weavers directly working on handlooms and another 1 million engaged in related activities.

Weavers’ organisations estimate the figure is ten times higher at 20 million working on 3 million handlooms and an equal number engaged in pre and post weaving operations. For every powerloom set up, six handlooms were rendered idle.

This meant that every job in the powerloom sector displaces 14 handloom weavers. She also reports that in 1991, for instance, there were 110 deaths of handloom weavers in AP due to starvation/suicide by 2001, when the quantitative restrictions on
imports of textiles were removed and the economy was exposed to globalisation; it was
unofficially reported that there were 400 cases of suicides and starvation deaths among
handloom and traditional power loom weavers from 1999. Few intense efforts such as
those of Dastkar Andhra are not enough to reverse the situation where modern market
structures have pushed millions to the edge.

The author disputes an influential belief that exposure to free trade destroyed or
devitalized the Indian artisan (Tirthankar Roy, 1999). The transition outlined in the book
is not qualitatively very different from the experience of traditional industry during the
early stages of industrialization in Western Europe or Japan. Rather, the roots should be
sought in those specific South Asian conditions that prevented industrialization from
securing rapid growth in average incomes. These conditions might be rapid population
growth or social backwardness.

The role of ethnic networks is vital in the contemporary art silk industry of Surat,
Gujarat: India's largest production centre of synthetic fabrics (Menning, 1997). One of
the secrets of its success is a system of ethnic entrepreneurship in which business people
rely on informal networks based on ties of kinship, caste, sect and place of origin.
Participation in these flexible networks gives merchants and manufacturers access to
community resources, and allows them to minimize costs, adapt to market fluctuations
and avoid government restrictions. Informal networks are also thus an indispensible
aspect of efficient cluster functioning.

2.2.6. Economical, Financial, Cost Related Issues

Economies of scale can be achieved if companies, which are otherwise
competitors of each other, come together under the umbrella of a ‘consortium’ to do
joint marketing in international markets (UNIDO, 2005). They thus have standardization of processes and quality in terms of manufacturing and marketing.

2.2.7. Amalgamation, Public Private Partnership Related Issues

A few companies, which are otherwise competitors of each other, come together under the umbrella of a ‘consortium’ to do joint marketing in international markets (UNIDO, 2005). They have standardization of processes and quality in terms of manufacturing and marketing. In the process, they achieve economies of scale. The unorganised traditional textile industry is vulnerable to internal threats and rivalry issues that deter all encompassing growth and development.

Countries that inspire to shift their industrial expertise from manufacturing to the higher value have added segments of the supply chain by upgrading their domestic skills in design, logistics and retail distribution (Audet and Safade, 2004). This process can be facilitated by encouraging national suppliers to offering more integrated solutions to prospective buyers. The author also says that leadership role of large retail groups and brand name marketers can reduce the vulnerability of textiles and its products with the blurring of traditional boundaries between the two.

One of the secrets of ethnic networks in the contemporary art silk industry of Surat, Gujarat, India's largest production centre of synthetic fabrics’ success is a system of ethnic entrepreneurship in which business people rely on informal networks based on ties of kinship, caste, sect and place of origin (Menning, 1997). Participation in these flexible networks gives merchants and manufacturers access to community resources, and allows them to minimize costs, adapt to market fluctuations and avoid government restrictions. Informal networks are also thus an indispensible aspect of efficient cluster functioning.
2.2.8. Research & Development Related Issues

Innovation seems to take place to a higher degree in clusters than elsewhere and a worldwide wave of emerging cluster initiatives and similar innovation policy projects has been seen (Mattsson, 2009). Some of these were realistic efforts based on existing regional strengths and partly existing cluster structures.

Although economic geographers often tend to explain innovation (competitiveness) by looking at cluster dynamics, in some pathetic accounts, the cluster concept itself can actually function as an innovation, imposing similar effects on the economy as more familiar types of innovation would, i.e. by creating a local competitive edge.

2.2.9. Market Related Issues

Several low-cost countries that excel as off-shore assembly centers are gradually being exposed to the inherent vulnerability of production fragmentation (Audet and Safade, 2004).

Countries that inspire to shift their industrial expertise from manufacturing to the higher value have added segments of the supply chain by upgrading their domestic skills in design, logistics and retail distribution.

This process can be facilitated by encouraging national suppliers to offering more integrated solutions to prospective buyers. The leadership role of large retail groups and brand name marketers can reduce vulnerability of textiles and its products with the blurring of traditional boundaries between the two.

Under many environmental conditions the exports of Egyptian raw cotton and cotton textiles decreased. This resulted in many social and economical problems (Adel and Wahba, 2002). The current status of Egyptian textile industry and the coming applications of several global and bilateral trade agreements sent strong danger signals
to workers through the textile value chain starting by farmers ending with exporters. Egyptian textile industry, under privatization program, economic pressures, GATT agreement, is trying to get large steps to leverage that it had enjoyed before. The industry is mostly anchoring on the competitiveness of availability of most of value chain steps in Egypt.

2.2.10. Government Related Issues

Business people rely on informal networks based on ties of kinship, caste, sect and place of origin (Menning, 1997). Participation in these flexible networks gives merchants and manufacturers access to community resources, and allows them to minimize costs, adapt to market fluctuations and avoid government restrictions. Informal networks are also thus an indispensable aspect of efficient cluster functioning.

The WTO has also taken many steps for uplifting the textile sector. In the year 1995, WTO had renewed its MFA and adopted Agreement on Textiles and Clothing (ATC), which stated that all quotas on textile and clothing would be removed among WTO member countries. It was observed that the level of exports in textiles from developing countries was increasing even in the presence of high tariffs and quantitative restrictions by economically developed countries.

2.2.11. Cluster Related Issues

Close networks with strong ties provide benefits for the companies involved in terms of knowledge flow; however, they could also have some negative effects such as knowledge redundancy and obsolescence (Xavier, 2010).

Innovation takes place at a higher degree in clusters than elsewhere and a worldwide wave of emerging cluster initiatives and similar innovation policy projects are seen (Mattsson, 2009).
Under the UNIDO, 2005 concept, companies, which are otherwise competitors of each other, come together under the umbrella of a ‘consortium’ to do joint marketing in international markets as a cluster. They have standardization of processes and quality in terms of manufacturing and marketing. In the process, they achieve economies of scale.

There are two types of integrations found in industrial cluster; they are horizontal and vertical integration (Holmstorm’s 2005). Increased vertical integration occurs as the division of labour gets more specialized and new firms are able to fill the new niche markets. Holmstorm’s study on city of Bangalore Cluster shows as an example how it has spurred the horizontal clustering process where all factors are equally responsible and integrated to bring a boom in Bangalore based SSIs clusters.

Knowledge generations and flow are associated with institutional set up of a cluster (Bathelt, Malmberg, and Maskell, 2002). In a global economy with a high developed communication network and links to knowledge in other places is important. One objection to this localized model of information flow is that it may cut off firms with potentially valuable information generated in other places and lead to an inbred thinking and a lock that produces economic decline.

Competition is a driving force behind cluster development (Porter, 1990). Clustering is a dynamic process, and as one competitive firm grows, it makes demand for other related industries. As the cluster develops it becomes a mutually reinforcing system where benefits flow backwards and forwards throughout the industries in the cluster.’

According to Nadvi and Schmitz (1999), the mobilization of physical capital, human capital and expected output of resources, break down the investment in small, risk-able steps. It means the enterprise of one creates a foothold for the other.
The saturation of mass markets for relatively standardized goods was giving way to consumer preference for greater variety and quality (Piore and Sabel, 1984). Studies of Italian industrial districts showed that Cluster of small, craft-oriented industrial firms were profitable in the global market by producing distinctive, high-quality products in a diverse area, as for example furniture to textiles and apparel.

These industrial clusters or so called industrial districts achieved their success through flexible specialization and adjusted themselves to respond as per market demand and to fill market with good quality products in controlled quantities.

**Summary**

One of the best ways to learn about the vulnerabilities was to study previous case studies, status reports and organizations over a period of time. Gaining a historical context for current organizational problems and procedures was indispensable for the research. While the researcher consulted a variety of literature for understanding where the traditional textile industry currently is and where it is we want it to go, the main limitation facing was that a holistic Non Traditional Approach towards Capacity Building has not been done before. Therefore, there were no established standards or defined processes or a model that recommends an overall ‘holistic’ approach to capacity building. There is thus the need and ability to fully immerse in research and design, and ultimately, create a systemic approach to vulnerability analysis for innovative capacity building for traditional textile clusters of India without being confined to a pre-existing format.