The primary declared objective of the IHDS-CDP was to make holistic and flexible interventions in the selected handloom clusters with a view to making them self-sustainable by providing need-based inputs specific to each cluster/group. Converting handloom weavers’ groups as a visible production group by upgrading their skills to produce diversified products to meet changing market requirements, providing them suitable workplace to produce quality products with improved productivity, providing market orientation by associating entrepreneurs, designers and professionals for marketing, designing and managing the production, facilitating adequate credit from financial institutions/banks etc were the focus of this new Development Programme.

Kerala was sanctioned 24 clusters under the Integrated Handloom Development Scheme-Cluster Development Programme (IHDS-CDP) during 2006-07, covering 19,800 handloom workers in 152 handloom co-operative societies. These 24 clusters are spread across seven out of the 14 districts of Kerala. Of them, 16 clusters (66 per cent) were in two districts: Thiruvananthapuram and Kannur. Out of this, 13 clusters are functioning now. Therefore, handloom clusters in Thiruvananthapuram and Kannur Districts were taken for the detailed study to understand the effectiveness of cluster based approach under IHDS as a growth model.
The study, which essentially tried to evaluate the efficacy of cluster-based approach in overcoming the operational weaknesses of handloom co-operative societies in Kerala, was conducted using the Before and After Approach & With or Without Approach. It covered an eight-year period from 2005 to 2012. To make the comparative study under the ‘Before and After Approach’, the researcher has fixed 2008 as base year for Pre-Implementation and 2012 as base Year for Post-Implementation.


Under the CDP, each cluster received an assistance of up to Rs 60 lacs in three installments. This amount was to be spent in three years on specified areas.

The study revealed that the scheme brought in certain radical changes in the way the handloom sector operated till then, though there were some shortcomings.

6.1 Major Findings on the Impact of Cluster Development Programme on Handloom Industry

During the period implementation of the Programme, the entire handloom sector underwent a series of changes which showed sharp variations between the societies who have joined the cluster and societies which have not, in terms of turnover, production, profits etc.
6.1.1 Human Force

By making some cardinal intervention in Human force, the Programme helped formation of handloom weavers groups as a visible production group in the selected handloom clusters. Amply supported by training programmes and exposure visits, the Programme helped the members become self-sustainable by upgrading their skills to produce diversified products with improved quality to meet the market requirements. It also made them realise the ground realities of the sector by throwing light on the challenges it faces and the need to change in the new globalised scenario.

Training programmes and exposure visits, organised as part of the Programme, opened the doors for technological upgradation in most of the change-resistant handloom co-operative societies. It gave the weavers and others stakeholders an insight and overview of the technology available in the handloom sector in particular, and textile sector in general. It enabled the members to produce quality products with improved productivity. It also activated the dormant Government agencies like Weavers Service Centre for a better outreach for training.

One of the issues that used to plague the industry was the seasonal nature of employment. However, the programme has been successful in evening out big disparities. The number of employment days has increased from less than 120 to 180 - 200 days.
Table No.6.1 No of average working days per year

<table>
<thead>
<tr>
<th>Frequency</th>
<th>2008</th>
<th>2012</th>
<th>2008</th>
<th>2012</th>
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</thead>
<tbody>
<tr>
<td>Upto 150 days</td>
<td>70</td>
<td>14.6</td>
<td>41</td>
<td>8.5</td>
</tr>
<tr>
<td>150-175</td>
<td>247</td>
<td>51.4</td>
<td>201</td>
<td>41.8</td>
</tr>
<tr>
<td>175-200</td>
<td>67</td>
<td>13.9</td>
<td>122</td>
<td>25.4</td>
</tr>
<tr>
<td>200-225</td>
<td>32</td>
<td>6.7</td>
<td>46</td>
<td>9.6</td>
</tr>
<tr>
<td>&gt;225</td>
<td>2</td>
<td>0.4</td>
<td>8</td>
<td>1.7</td>
</tr>
<tr>
<td>Did No Participate</td>
<td>63</td>
<td>13.1</td>
<td>63</td>
<td>13.1</td>
</tr>
<tr>
<td>Total</td>
<td>481</td>
<td>100.0</td>
<td>481</td>
<td>100.0</td>
</tr>
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</table>

After the introduction of clusters, the workers find an increased job opportunity in the handloom sector, compared with the pre-cluster period, arguably on account of shortage labor supply and price elasticity nature of the handloom industry.

Similarly, there was also sharp difference between the average wages and other emoluments paid by the CMS and the N-CMS. Before the introduction of the programme, the average wages and other emoluments paid by the CMS were lesser than the average wages paid by the N-CMS in 2008. It was Rs. 1536852/- for CMS and Rs. 1876543/- for N-CMS, i.e. the amount spent by N-CMS were higher than CMS by 22 per cent in 2008. However, in the post intervention year, it is found that the wages and other emoluments paid by the CMS are higher than the N-CMS. It has improved from Rs. 1536852/- in 2008 to Rs.1780846/- by 2012, a 16 per cent increase over 2008. This is mainly because of the sharp decline in turnover, both domestic and export market of the N-CSM during the period from 2008 to 2012. Highest drop in the wage paid is noticed in Pinarayi Weavers Co-operative Society Ltd No.L.L 85 and The Chowa Weavers P & S Co-operative Society Ltd LL 76, both at
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Kannur. The failure of N-CSM to come out with better designs and new products also added further blow to the downfall of the turnover and the resultant wages.

The Figure No. 6.1 shows the wage and compensation paid by the societies during the two periods of 2008 and 2012.

**Figure 6.1** Wages & Compensation paid by societies (2005 - 2012)

This shows that despite large scale drop out of workers, and despite ups and downs of business, the CMS spent more or less same amount as wage and compensation.
6.1.2 Network for Supply of Raw Materials.

The CDP sowed the seeds of laying a proper network for raw material supply for members of the clusters. It eliminated the monopoly of private raw material suppliers by linking National Handloom Development Corporation (NHDC) directly with the weavers for supply of raw materials. It also ensured competitive prices for raw material bought by clusters.
Table No.6.2: Procurement of Raw material by the weavers

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>P</td>
<td>F</td>
<td>P</td>
</tr>
<tr>
<td>Open market</td>
<td>210</td>
<td>44</td>
<td>112</td>
<td>23.3</td>
</tr>
<tr>
<td>Hantex/Hanveev</td>
<td>139</td>
<td>29</td>
<td>99</td>
<td>20.6</td>
</tr>
<tr>
<td>Societies</td>
<td>69</td>
<td>14</td>
<td>207</td>
<td>43.0</td>
</tr>
<tr>
<td>Did Not Participate</td>
<td>63</td>
<td>13</td>
<td>63</td>
<td>13.1</td>
</tr>
<tr>
<td>Total</td>
<td>481</td>
<td>100</td>
<td>481</td>
<td>100.0</td>
</tr>
</tbody>
</table>

It may be noted from Table No.6.2, in the pre-intervention period 44 per cent of weavers purchased raw materials from the Open Market. However, with the introduction of ‘Yarn Bank’, the number of weavers who purchase raw materials from the open market had come down to 23.3 per cent. Purchase from Hantex/Hanveev also came down from 29 per cent to 20.6 per cent. However, the yarn purchase by weavers from societies (Yarn Bank) had increased from 14 per cent to 43 per cent. In the case of N-CMW, the dependency on the Open Market is still higher, depicting an overall weak raw material procurement system compared with CMW.

6.1.3 Technology/Infrastructure Up-gradation

The programme provided the members of the cluster an opportunity to attend Technology awareness programme by EDI, Technology Exhibitions and Seminars, Tie up with Fashion Design Institutes etc. A few clusters got opportunity to attend International Trade fair – an important platform for the technology transfer in the textile sector. Such efforts had a great result on use of technology in the handloom. Weavers started using pneumatic jacquard
system and motorized jacquard, take-up & let off motions, on the existing handloom so as reduce fatigue and improve productivity, multiple box motion for continuous weaving of two different kinds of weft, use of jacquard on the existing handloom to weave any intricate design, use of dobbey on the existing handloom so as to weave geometrical designs, use warp beam and fabric beam on the existing handloom so as to improve productivity etc.

**Figure No.6.2 Level of technological Intervention in Societies in (%)**

<table>
<thead>
<tr>
<th>Technological Intervention in CMS</th>
<th>Technological Intervention in N-CMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2012</td>
</tr>
<tr>
<td>Mechanized Pre-loom: 75</td>
<td>Mechanized Pre-loom: 120</td>
</tr>
<tr>
<td>Operations: 12</td>
<td>Operations: 34</td>
</tr>
<tr>
<td>jacquard: 5</td>
<td>jacquard: 68</td>
</tr>
<tr>
<td>take up Motion: 67</td>
<td>take up Motion: 66</td>
</tr>
</tbody>
</table>

The Dye house and Common Facilities Centre, which are being set up, will enable faster absorption of technology in clusters.

The Programme facilitated a higher level of technological interventions in the CMS and this penetration of technology is higher than N-CMS. The increase in the number of products in the CMS is partially attributed to their ability adopt new technology.

**6.1.4 Network for Accessing Market:**
The Programme also sensitised the members to the need for proper marketing linkages for the long term growth of the sector. Cluster gave an overview of different channels for marketing, the changing trends in marketing and marketing strategies being adopted globally. The Programme provided market orientation to the members by associating entrepreneurs, designers and professionals for new products. A few societies also got opportunity to attend fairs in foreign countries, enabling them to understand the trends in the global market.

The study revealed that the societies who could introduce new products in the range of 1-5 has increased from 33 per cent in the pre intervention period to 45 per cent in post intervention period in the case of CMS. In the case of N-CMS, the study revealed 90 per cent of societies could not introduce any new products. For the remaining 10 per cent, the product range had come down and the trend is the same during the two period under study.

The Figure No.6.3 the trend in the number of new products being brought by the CMS and N-CMS from 2005 to 2012.

**Figure No.6.3 Average No. of Products (2005-2012)**
The average number of products from the CMS was in the range of 23.4 during the pre intervention period. This had increased to 27.1. The increase mainly happened because they experimented new products for the domestic market. In the case of N-CMS, the average number was 16.9 and it had come down to 13.7 by 2012. The dip on the number of products in the N-CMS is because they have stopped producing certain items which they were producing earlier for the export market. This is attributed to the lack of orders, mainly export. This shows that the capacity of the CMS to come out with new products are higher compared to the NCMS. It also shows that the CMS are able to withstand external setbacks, by swiftly moving with better products in an expanded market.

6.1.5 Finance and Investment Aid:

The Programme facilitated easy access to credit from financial institutions/banks, and encouraged weavers for collective bargaining, even in
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financial matters. It also taught the weavers (weaver groups through SHGs) to negotiate with banks and prudentially convert the margin money given under cluster scheme as seed capital for working capital borrowing from banks. The cluster made societies aware of the need to have financial discipline and to have prudential financial planning, both for long term and short term.

The study revealed that profitability of operation of CMS has been increasing year after year as they could reduce their Net loss during this period. However, in the case of N-CMS, the study showed an increase in the Net Loss during these period indicating less Profitability of operations.

Figure 6.4 Average Net Profit/Loss (2005-2012)

The Net Loss of N-CMS was lower in 2005 and it was more or less similar for CMS and N-CMS in 2006. It gradually started reducing during 2007
and 2008, mainly because of the high turnover reported during these years due to the Marketing Incentive by the Central and State Governments. The net loss went up again in 2009 due to the global recession and the withdrawal of Marketing Subsidy by Central government. In 2010 the net loss started reducing and CMS could continue this momentum and substantially reduce their net loss by 2012. Net Loss is relatively higher in the N-CMS without showing any signs of significant shift in the profitability of operations.

6.1.6 Co-ordination

Till the introduction of the Programme, the issues pertaining to the handloom sector were confined most often to the societies alone. Cluster, which advocates attaining a ‘high road to growth’ through co-operation between local firms and institutional bodies, warranted an increased involvement of all the stakeholders including governmental departments and educational institutions for its success. The Programme helped the developmental agencies to have a closer look at the issues the sector faced. The Programme also helped the sector get a better acceptance and image among the policymakers.

Thus, the Programme helped to instill the much needed confidence among the workers, societies and other stakeholders. This was translated into better performance as the scheme provided them with material assistance: easier, regular supply of raw material at competitive prices; introduction of new technology leading to production of new products and better productivity; opening of better and diverse marketing channels and access to new markets; better access to credit and implementation of methodical financial management systems and better monitoring and co-ordination by regulatory authorities.

6.2 Weaknesses/Drawbacks of the IHDS-CDP
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It is true that the cluster-based approach has sown seeds for sustainable development of the sector by focusing on factors such as supply of raw materials, technology, skill development and common facilities to make the sector competitive as against the reliance on subsidy which was the practice in the past for extending support by the government to this sector. Under the cluster, the sector could improve substantially on skill development, design, and marketing. However, the research found the following drawbacks or weaknesses in the existing clusters scheme implemented in the handloom sector in Kerala.

Unrealistic Fund Allocation: The scheme too ambitious as it aims to solve most of the issues that affect the sector. It contains too many targets as against fund earmarked. This has resulted in an unbalanced fund allocation among activities vis-à-vis actual requirements. For some items, fund allocation was meager and for some other components, fund allocation was found to be higher than what was required.

i. Lack of flexibility in the allocation of funds: The fund allotted is against specific activities and there is hardly any scope for need-based utilization among the components.

ii. Insufficient Timeframe: The time frame for completion of the cluster project is 3 years. While most of the clusters availed funds within the stipulated time, the same momentum could not be kept in executing the projects by most of the clusters.

iii. There is no proper physical monitoring by the implementing agencies, other than through the CDE’s.

iv. The CDE’s role necessitates continuity, commitment & vision in implementing the Programme in the most befitting manner. The frequent
change of CDE’s coupled with lack of proper physical monitoring by the implementing agencies affect the timely implementation of the project.

v. Lack of consensus and differences of opinion among the cluster members has affected the performance of certain clusters. There is no mechanism for the timely redressal of such issues, which is highly essential for the smooth functioning of the clusters.

vi. Continuous training is highly essential for the development and growth of sectors like handloom, the market of which changes with fashion and trends in the market. The scheme does not provide for or there is no mechanism for regular and continuous on-the-job training for the workers in the cluster.

vii. Interdependence and knowledge sharing among the clusters are rather weak or nil. The scheme does not provide for a mechanism for the free flow of information, knowledge and technical know-how, which are essential and integral part of any cluster scheme aimed at collective efficiency. The interaction and co-operation among the handloom clusters in the nearby areas are rather less and the clusters most often act in isolation. The inter-cluster relationships need to be strengthened for better bargaining power and collective efficiency. The scheme does not have any component for strengthening inter-cluster and intra-cluster relationships.

viii. Innovation is key for the long term sustainability of any industry and the scheme neither provide for forging links with fashion and design houses to update products and designs nor for acquiring new machines and equipment for converting new ideas to products. The scheme does not
provide any incentive to the workers for the updating of technology, which in the long run make its product outdated.

ix. The scheme does not provide any incentive for successful implementation of the scheme in terms of additional resource support or a second level support system which can encourage the cluster members to implement the project in full, on time.

6.3 Suggestions Based on the Study

6.3.1 Human Force

The Programme has been successful in convincing workers on the future of the handloom industry. This needs to be sustained. The sector must become attractive for the new generation of employees, if it were to make use of the new opportunities that open up before it. This may be ensured by:

a) Offering wages equivalent to those for skilled jobs in other sectors

b) Attracting youngsters with better salaries, better working environment and job security

c) Setting up a mechanism for regular and continuous on-the-job training

6.3.2 Network for Supply of Raw Materials

The entry of NHDC has remarkably changed the raw material supply system. However, it can be made more effective by:

a) Eliminating the delay of 45 days for supply from the date of placing the order by the societies.

b) Ensuring the NHDC bouquet has every type of raw material various clusters require.
c) Setting up a regional depot of NHDC in Thiruvananthapuram as has already been done in Kannur.

6.3.3 Technology and Infrastructure Up-gradation.

There is an ever growing demand for handloom products. However, to exploit the new potential, the sector has to be trendy. This demands that sector use state-of-the art technology and equipment. The Programme has already initiated the change in this traditional industry. It needs to be sustained and strengthened by:

a) Forging links with fashion and design houses to update products and designs

b) Acquiring new machines and equipment for converting new ideas to products

c) Providing Incentive to societies for the updating of technology

d) Most of the handloom co-operative societies in Kerala, especially the factory type societies in Kannur have land varying from 50 to 100 cents. However, they all operate from very dilapidated old buildings, which are beyond repair. The only option is to demolish and construct new building, by infusing further fund which the societies are unable to meet in the existing environment. If the handloom industry is to be perpetuated, these types of Factory type societies are to be liberally funded for factory modernization. This can be a mechanism to encourage Cottage type societies to become factory type.

6.3.4 Network for Accessing Market
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New products discover new markets. This is true for the handloom industry also. The programme has succeeded in pushing the societies to change their product profile drastically. This needs to be sustained; new markets must be discovered. For this:

- The government may consider additional resource support for market development for identifiable, genuine products for specific uses from identifiable geographic locations through the use of ‘Handloom Mark’ - the tool introduced by Government of India for popularizing the hand woven products.

- Provide incentive to societies to track new fashion trends, and change the product bouquet.

- Encourage participation in international and national expos.

- Encourage better linkages with retail chains in Kerala, especially for premium products over and above the existing ones.

- Products from Kerala are well-accepted even in western markets. Forging links with Kerala’s tourism industry will promote marketing of its premium products in the local market as well.

- Make the most of the environment-friendly nature of handloom, especially in western markets.

6.3.5 Financial Supply and Investment Aid

The Programme has helped the societies stabilize part of their working capital requirements and has introduced better financial management systems. Other than very few facilities such as dye houses and common facilities centre, the Programme did not provide for creation of infrastructure, either for the
clusters or for the individual societies. Societies will have to find own resources to meet their growth requirements. Most of the societies would find it difficult to do so, virtually weakening the progress they have already made. To stop this from happening and strengthening them instead, the following measures may be taken:

a) The government may follow up the Programme with a scheme offering funds for the creation of infrastructure, which includes new buildings.

b) The government may set up a permanent mechanism for ensuring financial discipline through regular and statutory audits.

c) The study revealed an unbalanced fund allocation among activities vis-à-vis requirements. Moreover, the fund allocation is uniform all over India, except for some minor deviations for less developed states. The study revealed that the fund requirements of Thiruvananthapuram and Kannur differs from one another. While Kannur needs more funds for aggressive marketing and market development both in the domestic and foreign market, the clusters in Thiruvananthapuram need a higher share of funds for product development. For some items, fund allocation was meager and for some other components, fund allocation was found to be higher than what was required. The role of the regulatory bodies like Panchayat whose approval is required for setting up dye house, was not factored into while earmarking funds for activities, resulting in higher under-utilisation of funds for some items. This reinforces the need for a meaningful and flexible allocation of funds with provision for need based utilization among the components.

6.3.6 Co-ordination Entity
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The Programme has helped societies getting an active involvement of different stakeholders for the development of the sector. It also made them realise the cardinal issues that stand in the way of growth and the ways and means to overcome the issues. However, to keep the momentum going, active involvement, proper follow-up and co-ordination is required. The following measures can be taken in this direction:

Government has to review its guidelines and policies and co-ordinate with other development agencies like Panchayath, as otherwise, even well meaning initiatives such as support for setting up a Dye House are nullified by objections/restrictions imposed them. Involve more technical people in the programme.

The interaction and co-operation among the handloom clusters in the nearby areas are rather less and the clusters most often act in isolation. The inter-cluster relationships need to be strengthened for better bargaining power and collective efficiency. The CDEs have to take a pro-active role in such matters.

There is a tendency among the implementing agencies like Hantex and Hanveev to change the CDE’s, frequently. The CDE’s role necessitates continuity, commitment & vision in implementing the Programme in the most befitting manner.

Extending the services of the CDE for a suitably long period to enable the weavers to take up the long term challenges.

The time frame for completion of the cluster project is 3 years. While most of the clusters availed funds within the stipulated time, the same momentum was not kept in executing the projects. This indicates a weak follow-up by the departmental agencies.
6.4 Areas for Further Study/Research

Further research is also required to know whether Group approach or Cluster Approach is better in achieving the objectives.

GoI has been supporting the handloom sector by extending different schemes and packages. Most of them are intended at meeting the long term fund requirement of the units. Despite the well defined schemes, many of the co-operative societies report dearth of fund as one of the reasons for their poor performance. This offers tremendous scope for further research on the adequacy of government support in handloom industry and the need for flexibility vis-à-vis their requirements. It also needs to be further studied whether other traditional sectors also get the same type of support like handloom industry.

6.5 Conclusions

The performance of handloom co-operative societies in the pre-cluster period was dependant or based on support in the form of subsidy provided to the handloom industry by the Central and State governments. The withdrawal of subsidy in 2008 by the Central Government resulted in a sharp decline in their fortunes. The economic slowdown started in 2009 dealt another blow to the sector, pulling it further down.

The Government intervention through the cluster-based approach has resulted in checking the downtrend and showing a gradual upward trend in growth, which is likely to be more sustainable, in view of the support being focused on making the sector competitive with infrastructure and other support mechanism.
The cluster-based approach has sown seeds for sustainable development of the sector by focusing on factors such as supply of raw materials, technology, skill development and common facilities to make the sector competitive as against the reliance on subsidy which was the practice in the past for extending support by the government to this sector. Under the cluster, the sector could improve substantially on skill development, design, and marketing.

The cluster development scheme has helped widen or enlarge the market for handloom products, including the domestic market. This ensures better prospects for growth for the handloom products in the future. The appointment of Cluster Development Executives has greatly enhanced/influenced the performance of the clusters. However to ensure commitment of CDEs, a fixed long term tenure is necessary.

The inability of the handloom societies to attract the work force to the sector in view of the remuneration/rewards not matching with those available with other sectors of the economy still poses a threat to the survival of the sector, despite governmental efforts for the promotion of handloom industry.

The societies need to be large enough to capitalise on the opportunities of a global scale but small and autonomous enough to respond flexibly to rapid shifts in customer demand. The scalability of the societies needs to be increased suitably to meet the growth in demand, at least for products where the demand is high.

The issues connected with the allotment of funds to individual societies for certain programmes, its utilization and monitoring, can best be overcome, when funds are allotted collectively to clusters for giving support for individual societies. This could save substantially on time, money and effort. This
endorse the popular perception that funds are best utilized when allotted collectively, rather than individually.

This is perhaps the first comprehensive Programme targeted for improving the performance of the handloom sector. Instead of addressing problems in an ad-hoc way, the Programme was designed to solve some of the basic problems that plague handloom societies. The study has found out that this strategy worked. The societies are in better shape now to consolidate their strengths and face the challenges the dynamic global market offers.

The researcher is of the view that the problems that visit the small scale sector across various industries in our country can be solved with comprehensive rehabilitation programmes and their imaginative implementation. Such an approach is necessary as the sector plays a significant role in sustaining our economy and in creating employment.

While the study has highlighted some of the improvements which have taken place due to the CDP in the handloom sector, the study also reveals that a lot more needs to be done as is evident from the fact that CDP has not resulted in the sector being financially viable (continuing to incur losses though they have come down). It is hoped that some of the suggestions made in this report would merit serious consideration by the authorities for making necessary modifications/additions in the scheme.

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