

## **CREATING ENTREPRENEURS AND FORMING NETWORKS IN THE WEAVER CLUSTER OF POCHAMPALLI**

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Handloom industry in India is the second largest employer after agriculture. It supports almost 12 million people. Thousands of weavers work individually or interact as part of different networks to procure raw material and to market their products. Weavers with poor education and awareness cannot influence the success of the network. This is particularly seen in weavers not covered by an institutional network like a co-operative. Hence an interesting experiment, to convert weavers outside the co-operative fold into entrepreneur weavers (EW) was done in the Pochampalli weaver cluster of Andhra Pradesh (AP). The weavers were formed into consortia to help them mobilize limited resources, provide avenues for collective actions and overcome constraints associated with size, promote technological development and enhance their ability to compete in local and global markets. Schmitz (1995) captures these clustering advantages in the concept of collective efficiency, distinguishing between passively acquired benefits that arise from specialized agglomeration- of skills, inputs and knowledge and actively generated gains that accrue from the joint action of clustered actors. Local institutions were used to create local co-operation and the consortia were given a formal and legal character under contemporary laws. The project was funded under a comprehensive scheme called the Deen Dayal Hathhkargha Protsahan Yojana (DDHPY). The scheme attempts to look at the needs of weavers for working capital, basic inputs, creating awareness and attempts to support quality fabric production through appropriate design intervention, increase in productivity, provision of publicity and marketing incentive (Development Commissioner of Handlooms, Delhi, India).

Basically there are three networks operating in weaver clusters of AP (fig1)

***Network I (Cooperatives and Government):*** The co-operative movement in India was officially started in 1904 by the Government of India by enacting the Co-operative Credit Societies Act, 1904 (Ravichandran, 1998). In these co-operatives, the Principal is either the Co-operative Society or the Khadi and Village Industries Commission or the State run

Handicraft and Handloom emporia. The linkage between the Principal and the Agent, the craftsmen is very strong and the area of influence has distinct boundaries and does not allow the craftsmen to have a lot of weak connections, which would enable him to seek assistance. To seek assistance from within the zone it is usually bureaucratic and the course of action is top-down.

Co-operatives have been formed to cater to the following needs of the craftsmen (Gurumoorthy 1993), (Mohan Rao 1997) and (Kotaiah, 1995):

- *To obtain raw material on a continuous basis*
- *To release them from the clutches of master craftsmen and traders*
- *To provide financial and technical aid*
- *To strengthen the bargaining power of the craftsmen*

The reasons for the failure of this network are many as pointed out by Ravichandran, (1997), Thakur, et. al. (1992), Sankararaiah and Saibaba, (1992)

- Delays in financial assistance which lead to higher losses
  - The society adopts only limited designs and no product diversification
  - The sales promotion method adopted by the society is traditional (they do not have any trained sales men/women)
  - Insufficient number of sales outlets at strategic market zones
  - No sales promotion activities like advertisements, brochures, etc.
  - Low salaries of employees and no job security and hence low motivation of the staff
  - Influence from external environment like local and state officials politicians
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- **Network II (the trader and master weaver):** Here, there are possibilities of having free market transactions where quality and quantity could have a relation to wages. However, there have been many cases of the Principal exploiting the agent. Most of the governmental action of creating co-operatives and similar networks is to stop the traders 'exploit' the craftsmen. (Kotaiah, 1995).
  - **Network III (The NGO):** There have been many cases of NGOs working with craftsmen. Their entry into the sector is for the same reason as we find in the case of the Government intervention, namely exploitation of the craftsmen. The broad assistance, which the NGOs

give, is similar to what Menning (2000) found out while studying SEWA Banascraft project (an NGO intervention into crafts).

- The forms of assistance are i.) *Organization and capacity building*, ii) *product development*, iii.) *Training*, and iv.) *Marketing*.
- *Out of several thousand craftswomen involved in production and manufacturing only a fraction of these market their goods on a regular basis through the program (ibid., 3).* So the effect of a particular NGO is limited to a fraction of the total number of craftsmen involved in the field.
- *Sixty-five percent of the sales go to the artisans while Banascraft takes 10% and the rest goes to cover raw material and other expenses (ibid. 4).* This gives a broad idea of the NGO-craftsmen financial relation. The NGO takes a fixed percent of the final price for its intervention and gives the necessary support for sustaining the network
- *The program has not been self sufficient in the past, it currently benefits from various indirect forms of assistance and subsidies, and it will not necessarily be sustainable in the foreseeable future. (ibid. 13)* Usually, the fixed amount from the final price is not enough to sustain the whole operation so the NGO seeks funding from various other agencies.

### **Evolution, Turning Points and Current Status of the cluster**

Pochampally village is located in Nalgonda district in AP. Pochmpalli and its surrounding areas are famous for the production of hand woven tie and dye designs and the technique is called Ikkat. The main products are, tie and dye silk and cotton sarees, cotton bed sheets, dress material, furnishings, body wraps (lungies, dhotis), etc. Besides Pochampalli the other major silk weaving centers are, Narayanapur, Suryapeta and Nalgonda. There are about 10,000 weavers organized in 45 co-operative societies and nearly 8600 weavers outside the co-operative fold in Nalgonda district. The handloom weaving cluster around Pochampalli after showing a steady growth for 55 years went into a crisis in early 2002, when the weavers unable to compete in a free market lost their livelihood and started committing suicide. The immediate interventions were to lift the excess stocks and to give work to the weavers as a social safety net. Simultaneously relief in the form of health care, food for work were started to add to the income of the weavers.

## Major Problems

The major problems faced by the cluster in 2002 were:

- *Design gap*-the weavers were producing fabrics with obsolete design and no link to seasonal fashion forecasts.
- *Weak institutional linkages*-The weavers were working in isolation having no linkages with the Weavers Services Centers (WSCs) or the National Institute of Fashion Technology (NIFT). There was no sharing of market information or common purchase of inputs and the weavers could not anticipate the common problems
- *Technological gap*- The looms had hardly changed, the processes for production of cloth were arduous, it was difficult to maintain uniform quality, leading to over-priced fabrics and low productivity.
- *Low value addition*-Their was no change in the product profile and their was low value addition resulting in subsistence wages for a majority of the weavers
- *Lack of innovation, entrepreneurship and full employment*-The weavers were completely dependent on an intermediary called the Master Weaver (MW). There were no rewards for innovation and little opportunity to develop entrepreneurship. Not many young people were willing to join the weaving profession.
- *Stagnant weaver skills*-The MWs had no interest in up-skilling the weavers. Since they were working outside the co-operative fold they had not been assisted by public agencies
- *Lack of working capital, low turnover and rising inventories*-unable to sell the MWs were left with stocks of slow moving cloth. The Banks having already overfunded the co-operatives, were unwilling to lend any further. Consequently the MWs stopped giving work to the weavers. The artist weavers unwilling to switch to other activities lost their livelihoods.

## Key cluster Actors and their linkages

*.Relationship between the MW and the weaver* -The key actor in the network is the MW. He invests his own money usually taken from informal sources and coordinates between the production and the wholesale market. Fig 2, gives the network and the handloom

production value chain in the MW channel. The main production is done by the weaver. The raw materials come from the dyeing unit and from zari (metal tread) unit. The MW may purchase raw material in the open market and supply them to his weavers. zari has to be purchased with cash but yarn could be taken on credit. The weavers then take these raw materials to their homes where the looms are located, and bring back the finished products. Each weaver has a small booklet where the products are accounted and the MW notes the number of products in his account book.

There are many nuances to the production stage:

- Sometimes, all the production is done in the same village or sometimes in the nearby villages
- Then, there are few master weavers who work with, small contract weavers from other areas, who monitor the production and deliver the product. In which case the master weavers production is done in various parts across the district
- The need to seek other areas is due to the varied production set up that exists due to geographical variations. Weavers in some areas are able to weave very fine cloth whereas in other areas they are able to use different dyes and in some other areas they can only weave coarse cloth.
- Hence, the range of the products a master weaver deals in basically depends on the client he has. If the client wants a particular product then the master weaver searches in his social contacts to get to a person who could be a relative or a friend of a relative or relative of a friend and start giving orders to this person, who in turn begins to control the production and often invests money also.
- As far as actual production is concerned, there are again a few nuances. The MW may purchase all the raw material and the weaver gets paid for his labor after the raw material is balanced for. Otherwise, the weaver may be made to pay in books for the most expensive raw material and the MW pays for the rest of the raw material. In the case of contract weaving, the contract weaver pays for all the material and gives it to the MW.
- Also there are few pre-loom activities that need to be done. In certain areas or for certain products, the pre-loom activities are done by the MW. But in other areas, the weaver's family does these activities and there are no payments for such activities. In

certain other areas, there are specialists who only do the pre loom activity. This however happens if there is sufficient market for the single activity.

The financial relationship between the MW and the weaver is given below;

- The relationship between a master weaver and a weaver starts with a loan. The loan could be to set up a loom or for consumption purposes like marriages, building house, medical, etc.
- Once the loan is taken, the master weaver has to continuously give work to the weaver.
- Whether the MW is able to sell or not, he cannot stop production or else the weaver will be left without work.
- If the master weaver is unable to provide work, there is a possibility that the loan amount may not be returned.
- If the weaver stops working for the master weaver, he will have to repay the loan.
- Also, on each set of products that the weaver prepares, a small portion is deducted towards repayment of the loan.
- If the weaver does not take a loan, his labor charges increase.

So, a weaver who takes a loan not only gets paid less, but also pays interest.

Due to the collapse of the cloth market in Gujarat and drying up of other marketing channels the MWs were left with large quantities of unsold cloth leading to cessation of weaving activity. The weavers did not return the advances taken from the MWs, and once the loan money was exhausted a small crisis like a disease or a ceremony in the family only accelerated the destruction of the livelihood of the weaver.

*Forward linkages of the MWs*-The master weaver goes to various towns where his clients are located or he 'takes the road'. His clients are clothing retailers in various towns. The MW does this himself and does not let anyone else do this job, other than those who have an almost equal share in the business viz. his partner or their children because there have been cases where the employee who has been assigned this job 'usurped' the market and set up his own business. Also, the master weaver feels that the

clients will not know who the owner is, and for all practical purposes, the person who takes orders gives credit is believed to be the owner or a partner.

The tasks that are performed while 'on the road' are:

- To show sample products to each of the clients and get orders
- To collect payment for the unpaid bills
- Enquire about 'hot selling' designs/colors

An average master weaver has about 10 – 15 clients with about 5-7 core clients. A successful master weaver will have about 50 - 60 clients with about 15 – 20 core clients. Core clients are those who regularly purchase material and with whom the master weaver has a strong relationship.

There have been cases where the clients go bankrupt, which in turn affects the master weavers badly. At times client's bankruptcy may even prove fatal for the master weaver's business, especially if he has a lot of credit due from the client. This was one of the reasons for the MWs of Pochampalli renege on their assurance to give continuous work to the weavers.

### **Implementation Strategy**

The intervention by the APCO and the handlooms and textile department with NIFT and WSC as business service providers started with a mapping of the cluster in 2001, preparation of the project and its approval in 2002. The action plan was prepared in close consultation with the stakeholders and APCO, NIFT and WSC. APCO was also the implementing agency and the project was completed in two years. While normal industrial cluster development programs relate to firms, this cluster intervention related to people or the weavers. The approach was flexible to reflect the needs and voice of the poorer in the cluster and accordingly set different priorities. The focus was to provide full employment and increase productivity leading to enhanced returns for the weavers. This was done by integrating the weavers in the regional and national supply chains and assisting the weavers to add more value to their products to shift up the value chain. The objectives of the intervention were:

- Convert the weaver into an entrepreneur producer and make him a part of a network by forming groups/consortia in the form of a multi area co-operative society (MACS), under the new law

- Increase access to working capital
- To develop new market channels
- To bridge the technology gap and the design gap
- To upgrade the skills of the weavers

The areas of intervention and the components of the action plan are given below:

Area of intervention	Components	Service provider	Financial assistance
Enterprise development	<ul style="list-style-type: none"> <li>○ Creation of consortia</li> <li>○ Up-skilling of weavers</li> <li>○ Technological up-gradation</li> <li>○ Improved products, process quality, broadened product range</li> </ul>	APCO NIFT/WSC WSC NIFT	Rs 21million
Creation of networks	<ul style="list-style-type: none"> <li>○ Greater availability of credit</li> <li>○ Market expansion</li> <li>○ Cost reduction through bulk purchases</li> <li>○ Participation in national, international fairs</li> <li>○ Institutional networks- insertion in national value chains</li> <li>○ Promote ideas of co-operation</li> </ul>	APCO NIFT APCO  NIFT NIFT APCO  APCO	Rs 20million

### **Major activities**

The first step was to **create groups** with a governance structure to address cluster level issues. In consultation with all the cluster actors it was decided to form co-operative societies under the new co-operative law called MAC societies act. This was done over a period of time by generating awareness, getting like minded weavers together and developing group identity. Trust was built giving them working capital in the form of a working limit to be used jointly to purchase yarn and dyes. Joint training was given and

techno-upgradation was done by the MACS with technical inputs from WSC. NIFT was introduced as a business development service provider to give contemporary designs, develop marketing channels and advise on good business practices. The details of the groups are given below:

S. No	Name of MAC society	Number of weavers
1	Meenakshi	160
2	Chandana	133
3	Markandaya	157
4	Bhavnarushi	121
5	Laxminarayana	75
6	Chetana	89
7	Bhadravathi	160
8	Navadoya	55
9	Mother mahila	50

- The **Working capital** loan consisted of a seed capital of Rs 4000 to be kept in a bank and the banker permitted a five times revolving working capital limit to each weaver in the MACS. Initially this was used for purchase of raw materials only. The bankers were convinced after seeing the project reports and the involvement of business service providers like NIFT and WSC and the design and marketing linkages.
- **Up-skilling** was of two types- training to produce new designs and operate the upgraded looms. The WSC, Hyderabad trained master weavers and the master trainers then trained weavers for three months at their working place. The weavers received stipend during the training period for the loss of wages during the training period. After training the weavers were able to operate new looms, quickly switch designs according to changing seasonal preferences, improve their cloth productivity, learn improved dyeing processes and minimize waste in the pre and post loom processes.
- In consultation with the business service providers APCO gave **modern pre-loom and on-loom equipment** to the MACS. This included dobbies, accessories and weft preparatory equipment. The weft preparatory equipment was a newly developed

electric machine for tie and dye weft preparation given to a group of 4-8 weavers. This machine reduced to a large extent reduced the drudgery of women, increase their wages, led to higher production of cloth and productivity of weavers. The training was given by the business service providers and equipment manufacturers.

- A critical activity was to bridge the **gap** between the **design** preference of the consumer and the designs produced by the weaver. The weavers were unaware of the latest designs, could not switch designs quickly, did not have access to a reliable design forecast service and were not connected to retail chains to integrate operations like supply of yarn, give advance designs, purchase cloth at a contracted rate and time and assist in value addition activities like decentralization garmenting. NIFT gave such services to the weavers. NIFT appointed a chief designer and designers to prepare new designs, carry the designs to the looms, give seasonal forecasts and create links with retail chains like pantaloons and big bazaar. The MACS gave agglomeration gains to the weavers. They could jointly deliver larger quantities to the retail chains, negotiate prices and generally enhance their positions. They developed entrepreneurial skills since they had to do more than only produce cloth. This gave them opportunities to earn more, the negotiation activities increased their exposure and they began to see the evolving market economy as an opportunity than a threat.

### Results

The results of the intervention are summarized below:

- *Value Addition*

As a result of the intervention the weavers were able to move up the value chain leading to substantial increase in earnings. The increased returns are given below;

<b>S.No</b>	<b>Variety</b>	<b>Before</b>	<b>After</b>
1	Bed sheets	○ Small – Rs110 ○ Large – Rs 230	Rs 160 &250 Rs 320 &540
2	Silk Sarees	Rs 1250	Rs 1600 -1900
3	Cotton sarees	Rs 350 – 600	Rs 450 - 1100
4	Cotton dress	Rs 55 per meter	Rs 75 per meter

	material		
5	Silk dress material	Rs 155 per meter	Rs 250 per meter

o *Impact on key Indicators*

1. Nine MAC societies were formed with 1000 weavers. These helped to promote the idea of co-operation, develop a consensus on cluster approach and increased the relevance of the weavers in the state and region. The cost of yarn and chemicals was reduced by bulk purchases.
2. Developed linkages with institutions like NIFT, WSCs, Handloom Export Promotion Council and the local banks.
3. The weavers started using blended yarn, improved the product and process quality and broadened the product range.
4. The monthly wages of cotton weavers rose from Rs 1250 to Rs 1800 and those of silk weavers rose from Rs 2000 to Rs 2550. Disposable income for weavers was created.
5. An amount of Rs 20 million was given as margin money to the weavers leading to a working capital limit upto Rs 100million. All the weavers had sufficient working capital to prepare production plans for the next season.
6. The production of silk varieties rose from Rs 40 million to Rs 60 million and the production of cotton varieties rose from Rs 30 million to Rs 45 million. The MACs entered new markets and participated in national fairs. Linkages were also developed with retail chains like pantaloons, Big Bazaar by NIFT.
7. 1000 weavers were trained to prepare new designs and operate up-graded looms.
8. A chief designer with designers from NIFT and technicians from the WSC worked with the weavers to prepare seasonal designs, bring it to the looms, enhance quality and reduce the cost of pre and post loom processes. This led to reduction in drudgery and improved the living conditions of the weavers. NIFT assisted the weavers to embed them in the regional and national chains and increase security through market diversification. Previously the weavers were mainly producing traditional sarees. After the intervention by NIFT they started producing high count cotton sarees, warp and weft double ikkat with plain border or zari border with rich pallu. The diversified

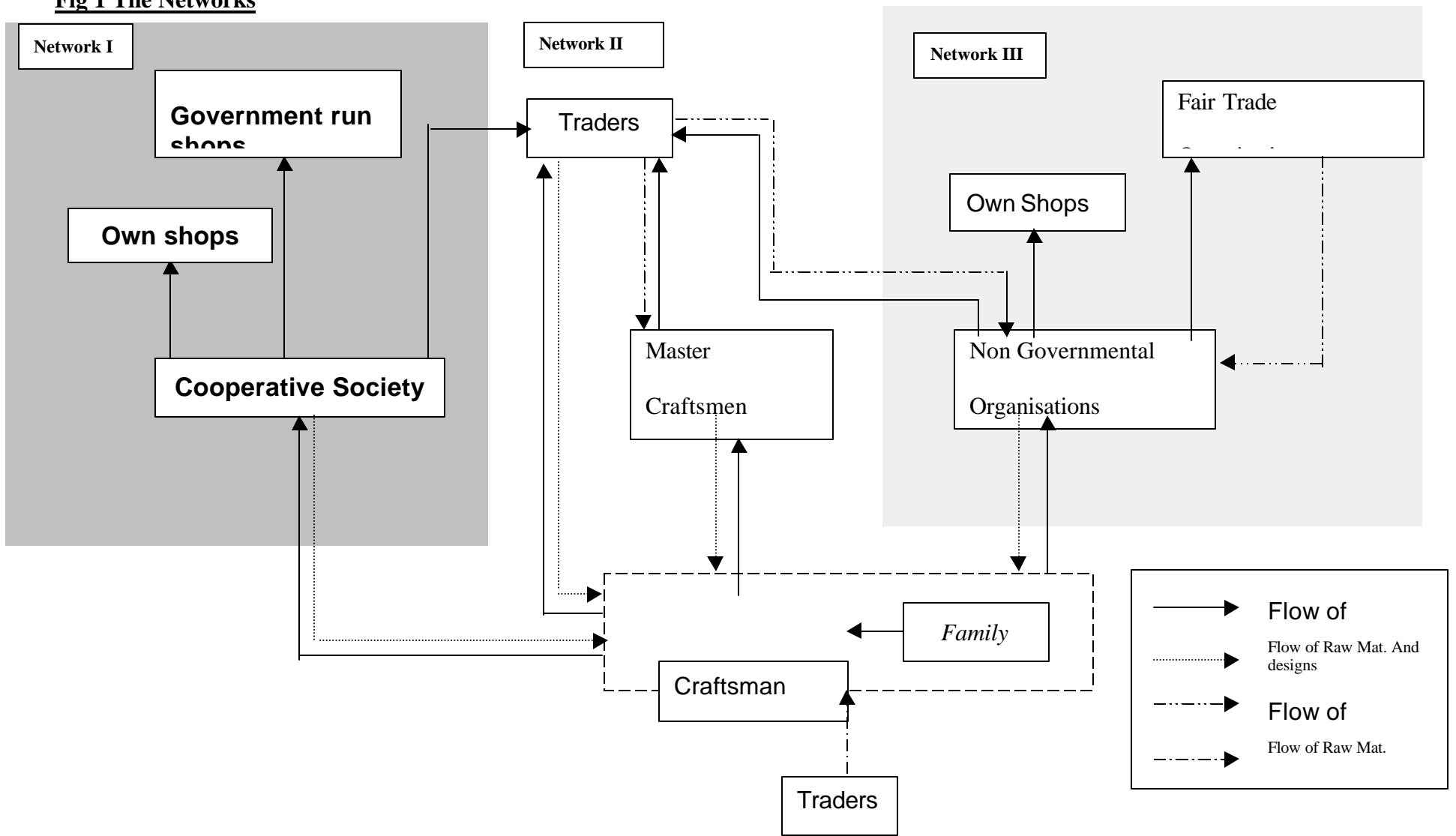
products included dress materials, cotton and silk blended bed sheets, use of mercerized yarn in bed sheets and modern furnishing material for sofas, table tops and wall curtains.

## **Lessons**

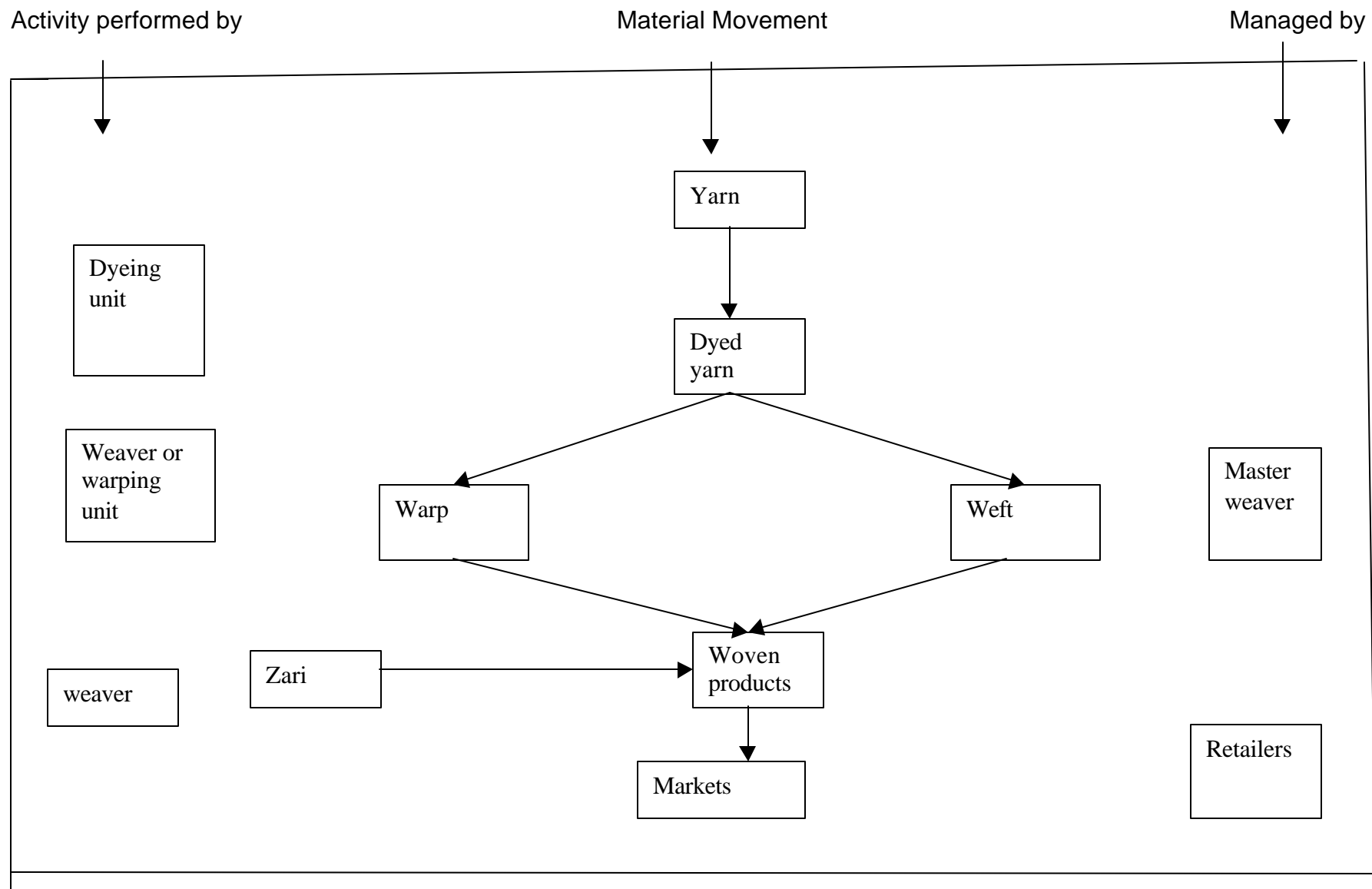
Summing up, the strategy was to help potential entrepreneur-producers to overcome the constraints associated with size, promote techno development and develop their ability to compete in local and regional markets. To use the strong sense of social identity to strengthen ties between the producers, foster trust among them and promote local co-operation and support. To remove the weavers from the low value networks of the MWS and traders and convert them into entrepreneur-producers to promote sustainable employment and higher income. This was addressed by creating awareness among the weavers, building consensus on the group approach, building the capacity of MACs and through a series of parallel interventions, like design development, techno up-gradation, upskilling, providing working capital and developing markets.

This was the first time weavers outside the co-operative fold were assisted in AP. The project validated the cluster approach of AP. Firstly different approaches are required for incipient clusters like the Pochampalli and growth engine clusters like Pharma, aqua, etc. The first focuses on individuals the second focuses on firms in the cluster. Secondly the approach should deal with the complete eco system of the cluster along its three dimensions – cluster actors, networking and value chains. Thirdly a fulcrum is required to trigger and leverage the different activities in the cluster. This could be a cluster development organization or an industry association. Lastly flexibility in approach is required whether it is in the selection of the cluster development agents, business service providers or technology service providers. The strategy should be preferably developed by the field actors with inputs from experts and facilitators and monitoring should be done by the stakeholders themselves.

**Fig 1 The Networks**



**Fig 2. The handloom products value chain**



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