

**EFFICACY OF CLUSTER-BASED APPROACH
FOR THE REVIVAL OF HANDLOOM
CO-OPERATIVE SOCIETIES IN KERALA**

with Special Reference to

Thiruvananthapuram and Kannur Districts_

**Thesis Submitted to
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Economics
Under the Faculty of Social Sciences**

By

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Certificate

This is to certify that the thesis entitled “***Efficacy of Cluster-Based Approach for the revival of Handloom Co-operative Societies in Kerala- with special reference to Thiruvananthapuram and Kannur Districts***” is a bonafide research work done by Shri. Sebastian Thomas, under my guidance and supervision. Thesis is approved by the Doctoral Committee for the submission for the degree of Doctor of Philosophy in Economics.

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Declaration

I, hereby, declare that the thesis entitled ***“Efficacy of Cluster-Based Approach for the revival of Handloom Co-operative Societies in Kerala- with special reference to Thiruvananthapuram and Kannur Districts”*** is carried out by me under the supervision and guidance of Dr. M Meera Bai, Professor, Department of Applied Economics, CUSAT, Kochi-22. I further declare that this thesis has not previously formed the basis for the award of any degree, diploma, associateship, fellowship or other similar titles of recognition

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ABBREVIATIONS

CAGR	Compound Annual Growth Rate
CDA	Cluster Development Agent
CDCG	Cluster Development Co-operative Group
CDE	Cluster Development Executives
CDF	Cluster Development Foundation
CDP	Cluster Development Programme
CFC	Common Facility Centre
CMS	Cluster Member Societies
CMW	Cluster Member Worker
DC MSME	Development Commissioner, Micro, Small and Medium Industries
DIC	Directorate of industries and Commerce
DIPP	Department of Industrial Policy and Promotion (Ministry of Commerce and Industry)
DoH	Directorate of Handloom
DRDA	District Rural Development Agency
EDII	Entrepreneurship Development Institute of India
GATT	General Agreement on Trade & Tariff
GoI	Government of India
GoK	Government of Kerala
GSDP	Gross State Domestic Products
IHCDP	Integrated Handloom Cluster Development Programme
IHDS-CDP	Integrated Handloom Development Scheme-Cluster Development Programme
IIHT	Indian Institute of Handloom Technology
KINFRA	Kerala Industrial Infrastructure Development Corporation
KSIDC	Kerala State Industrial Development Corporation
KVIC	Khadi and Village Industries Commission

MSME	Micro, Small and Medium Enterprise
NABARD	National Agriculture Bank for Rural Development
NCAER	National Council for Applied Economic Research
N-CMS	Non-Cluster Member Societies
N-CMW	Non-Cluster Member Worker
NGO	Non-Governmental Organisation
NHDC	National Handloom Development Corporation
NLDP	National Leather Development Programme
NMCC	National Manufacturing Competitiveness Council
OGL	Open General Licence
PWCS	Primary Weavers Co-operative Societies
R & D	Research & Development
RBI	Reserve Bank of India
RRBs	Regional Rural Banks
Rs.	Indian Rupees
SBI	State Bank of India
SHGs	Self Help Groups
SIDBI	Small Industries Development Bank of India
SLPC	State Level Project Committee
SMEs	Small & Medium Enterprises
UNIDO	United Nations Industrial Development Organization
WSC	Weavers Services Centre
WTO	World Trade Organisation

Chapter 1 INTRODUCTION

The need for special support to the small-scale industry has been a topic of contention among economists. Some see great economic value in it and want the government to support it, while others oppose such a help. However, both the schools agree that the sector helps reduce regional economic imbalances.

Studies by economic historians such as Paul Bairoch and Angus Maddison had found that India was an economic superpower till the middle of the 19th century with share of world GDP of over 28 per cent, thanks mainly to its village industries and trade. They also held colonialism responsible for India's slide to poverty. Karl Marx shared the view, pointing out that India's village system of agriculture and manufacturing gave its people an independent organisation and social life in those days. (Gurumoorthy 2013).

The village and traditional industries were given an iconic stature during the nation's freedom struggle, with Mahatma Gandhi insisting on its varied benefits, not just economic. However, India, beset with large scale unemployment and underemployment in the early post-Independent period, looked up to large industries to solve its problems. That too, without much success.

Having understood that the sector can play an important role in the nation's economic development, and that it can survive and succeed only with its support, the government of India in the 1990's introduced cluster-based development approach for their revival. Kerala is one of the states that pursues cluster based approach for the revival of its micro and medium scale enterprises and traditional industries.

1.1 Kerala Economy: The Role of Manufacturing and Industrial Sectors

Kerala has been following a unique pattern of economic development for over two centuries. Though it promoted large industries, the prime focus was on investing in social infrastructure. The State advanced remarkably well in the social sector and this advancement continued uninterruptedly despite the changes in the political power patterns. Moreover, Kerala possesses an active civil society, which constantly pressed for the delivery of social goods. The anti-caste movement, missionary activities and left movement in Kerala have aided in raising human development and social security for the poor. (Neera, 2012). Thus organized and empowered, the people resisted the gross indignities of inequality that marred social life and abolished pre-capitalist relations in land. The result was a society that best approximated the constitution's vision of liberal democracy among all Indian States (Arun 2013) This growth pattern, particularly in the field of land reforms, health and universal education, attracted widespread international attention. Unlike most other Indian States, Kerala's achievements have cut across caste and gender barriers, and have been carried to regions across the State (Ramachandran, 1996). However, for all these developments, per capita domestic product and per capita manufacturing value added in Kerala are substantially lower than the corresponding national figures. The manufacturing and industrial sector in the State have not been significantly contributing to the GDP. This is evident from the fact that for the last two decades, the contribution of the secondary sector varied from 17 to 25 per cent of the Gross State Domestic Product (GSDP) while that of the tertiary sector often crossed 50 per cent (see Table No.1.1). Industrialisation in Kerala, in other words, is certainly far from commensurate with the socioeconomic achievements for which the State is famous for (Ibid). It is by now clear that states with high social development indicators might or might not be states with highest incomes. (Neera,2012). This finding has been substantiated by the Human Development Report 2010 "one of the most

surprising results of Human development research in recent years.....is the lack of a significant correlation between economic growth and improvement in health and education (UNDP HDR 2010). The sector-wise contribution to GSDP is shown in Table No.1.1

Table No.1.1 Sector-wise contribution to the GSDP since 1987

(Rs.lacs)								
YEAR	Primary sector	% Share	Secondary sector	% Share	Tertiary Sector	% Share	GSDP	Growth rate
1987-88	1253701	28%	793548	17%	2505361	55%	4552610	1.5
1988-89	1449727	29%	862296	17%	2656012	53%	4968035	9.12
1989-90	1424489	28%	978418	19%	2776407	54%	5179314	4.25
1990-91	1549560	27%	1025100	18%	3078449	54%	5653109	9.15
1991-92	1677932	30%	1051016	18%	2958850	52%	5687798	0.61
1992-93	1684567	28%	1145944	19%	3169806	53%	6000317	5.49
1993-94	1759989	27%	1392787	21%	3361616	52%	6514392	8.57
1994-95	1923444	27%	1521185	22%	3576109	51%	7020738	7.72
1995-96	1906029	26%	1595731	22%	3788267	52%	7290027	3.84
1996-97	1951771	26%	1599411	21%	3986338	53%	7537520	3.39
1997-98	1855913	24%	1668479	21%	4272001	55%	7796393	3.43
1998-99	1909009	23%	1820710	22%	4572783	55%	8302502	6.49
1999-00	1961312	22%	1797743	20%	5063008	57%	8822063	6.26
2000-	19765	22%	186341	20%	53082	58%	91482	3.7

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01	04	%	1		87	%	02	
2001-02	2009427	21%	1933724	20%	5671266	59%	9614417	5.1
2002-03	2053734	20%	2080457	20%	6159162	60%	10293353	7.06
2003-04	2034693	19%	2297212	21%	6582165	60%	10914070	6.03
2004-05	2130153	18%	2689112	23%	7107135	60%	11926400	9.28
2005-06	2246688	17%	2947327	22%	7935378	60%	13129393	10.09
2006-07	2103810	15%	3154675	22%	8908184	63%	14166669	7.9
2007-08	2080216	13%	3402850	22%	9926202	64%	15409268	8.77
2008-09	2125650	13%	3412918	21%	10727352	66%	16265920	5.56
2009-10 (P)*	2125841	12%	3669175	21%	11925916	67%	17720932	8.95
2010-11 (Q)**	2139518	11%	3893668	20%	13305153	69%	19338339	9.13

*Source: Statistical Handbook, Kerala 2011, Dept of Economics & Statistics, GoK & Economic Review 2012, GoK. *P: Provisional Q**: Quick Estimates*

The relatively low growth rate of the industrial sector is the net outcome of the remarkably high growth rate in a few, and a depressingly low growth rates in a large number of manufacturing industries in Kerala (Subramanian K K and Azeez A E 2000). One line of argument faults Kerala's weak industrial structure, which offers very little potential for inter-industry linkages, for its backwardness (Subramanian,1990,2003; Subramanian & Pillai, 1986; Thomas 2003a).

Kerala's industrial backwardness is attributed to another unique feature: most of its major industrial units were self-contained ones, leaving little scope for the spread of the industry, unlike in some other states where major units helped the birth and growth of ancillary units.

The other reasons for the slow growth of manufacturing sector in the State are the high cost for skilled labor, the rapidly propelling land prices and the preference of the local population for white collar jobs. Also being a traditionally service oriented economy with a high density of population, the State has not been able to find a balanced growth strategy for manufacturing sector.

The income from manufacturing sector to Gross State Domestic Products (GSDP) and its growth rate are given in Table No. 1.2

Table No.1.2 Growth of manufacturing sector to GSDP (Kerala) Base Year (2004-05)

Year	At Constant Prices *		At Current Prices	
	Rs.Lacs	Growth Rate (%)	Rs.Lacs	Growth Rate (%)
2004-5	1022058	--	1022058	---
2005-6	1043330	2.08	1092095	6.85
2006-7	1117876	7.12	1229466	12.58
2007-8	1316450	17.76	1508223	22.67
2008-9	1344072	2.10	1735690	15.08
2009-10	1348502	0.33	1756980	1.22
2010-11(P)	1461866	8.41	2020037	14.97
2011-12(Q)	1555314	6.39	2291924	13.46

*Base Year 2004-05: Source: Economic Review 2012,GoK. P: Provisional
Q: Quick Estimates

It is also interesting to note that in 2010-11 the Service Sector has contributed to 70 per cent to the GSDP where as the combined total of Secondary and Primary sector was just 31%.

To top it all, Kerala has not been a major recipient of Central investment. The Central Sector Investment in Kerala was a meager Rs. 28455.29 crore (2.3%) during 2010-11 against the All India figure of Rs. 1263664.85 crore. State-wise analysis shows that other southern states have higher investment in Central PSEs. Andhra Pradesh ranked 2nd, Tamil Nadu 3rd and Karnataka 10th. Kerala ranked

16th. (Economic Review 2012). Central Sector Investment in selected states are given in Table No.1.3

Table No.1.3 Central Sector Investment in Selected States as on
31.03.2011

Name of State	Gross Block(Rs.Crores)	% of Total Gross Block	Rank No
Andhra Pradesh	91305.35	7.23	2
Tamil Nadu	89254.98	7.06	3
Karnataka	46889.25	3.71	10
Kerala	28455.29	2.25	16

Source: Economic Review 2012, Planning Board, GoK

Thus, the State developed a model where neither the private sector nor the public sector were able to establish a strong industrial base and inter-industry linkages.

1.2 Role of MSME and Traditional Industries

While modern industries followed a wax-and-wane mode of existence, MSME's, especially the traditional industries such as coir, handloom, cashew, khadi & village industries, handicraft, bamboo, beedi and tiles continued to play their stabilizing role in the industrial sector, providing employment to nearly 10 lakhs persons. Traditional industries produce marketable products, using local raw materials, human skills (local craftsmanship), and indigenous technology. The Kerala economy has been endowed with eco-friendly products of the traditional industrial sector, which include handloom products, coir fiber, cashews, tiles and bricks, handicrafts, spices, and marine products. This sector of the economy generates employment opportunities in rural areas and also earns foreign exchange through exports. This is shown in Table No.1.4

Table No. 1.4 District-wise details of working SSI/MSME units registered in Kerala 2010 -11

District	Number of SSI/MSME units	Employment provided (No)
Thiruvananthapuram	26821	124035
Kollam	13135	92717
Pathanamthitta	7359	41964
Alappuzha	14946	80641
Kottayam	21510	67537
Idukki	4393	24227
Ernakulam	24450	154339
Thrissur	26189	99604
Palakkad	13044	57698
Malappuram	9915	42219
Kozhikode	15487	69926
Wayanad	2467	13181
Kannur	9795	44214
Kasargod	5397	29679
Total	194908	941981

Source: Statistical Handbook, Kerala 2011, Dept of Economics & Statistics, GoK

Realising the importance of the traditional sectors, in terms of employment generation, upholding the entrepreneurial spirit, innovation and fostering competitiveness in the economy, Government of Kerala accorded increasing attention and special support for nurturing the sector. This is evident from the State plan fund allocations to the village and small scale sector to which traditional sectors belongs.

The Table 1.5 shows the allocation of funds to different segments under Industries in various Five year Plans.

Table No.1.5 Segment –wise Plan Fund Allocation

				(Rs.Lacs)
Segment	Village & Small	Medium and Large	Mining	

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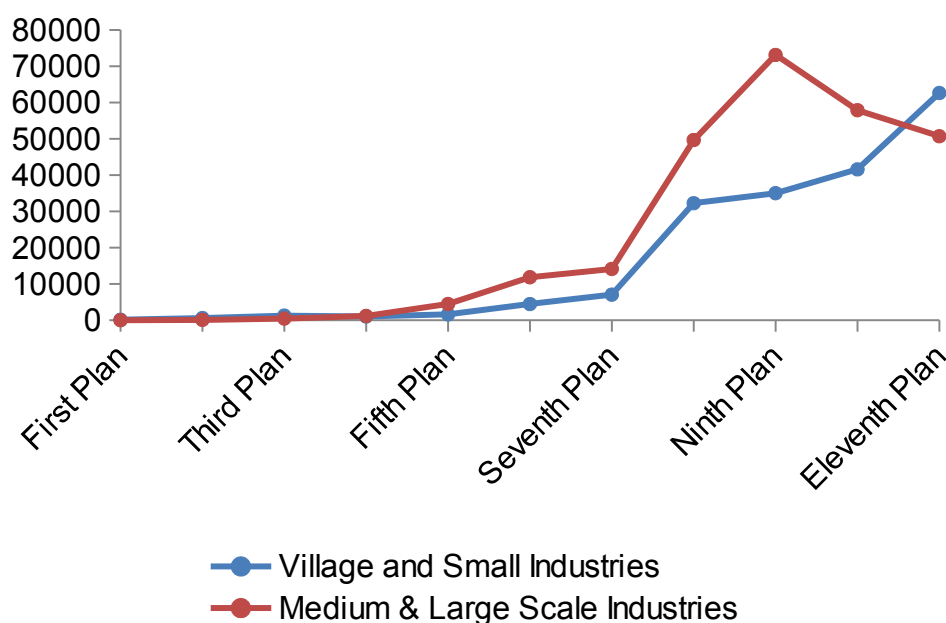
Plan	industries		Scale				Total
	Outlay	%	Outlay	%	Outlay	%	
First Plan (1951-56)	112	100	0	0	0	0	112
Second Plan (1956 – 61)	582	85	102	15	0	0	684
Third Plan (1961-66)	1265	74	454	26	0	0	1719
Annual Plan(1966-67 to 1968-69)	512	50	485	48	17	7	1014
Fourth Plan (1969 –74)	1022	46	1181	53	5	2	2208
Fifth Plan (1974 -78)	1604	26	4471	73	79	3	6154
Annual Plan (1978-79 & 1979-80)	891	21	3285	78	51	2	4227
Sixth Plan (1980-85)	4450	27	1184	72	168	0	16459
Seventh Plan (1985-90)	7041	33	1413	66	279.	1.	21455
Annual Plan (1990-91 & 1991-92)	6555	41	9300	58	125	8	15980
Eighth Plan (1992-97)	3224	39	4965	60	1305	6	83206
Ninth Plan (1997-02)	6	32	5	67	747	7	108870
Tenth Plan (2002-07)	4156	42	5788	58	246	2	99695
Eleventh Plan (2007-2012)	6261	55	5069	45	500	0	113810

Source: Compiled using “Plan Outlay and Expenditure Kerala (1951-2007” and Draft Proposal for 11th Five Year Plan-), Kerala State Planning Board and-GoK

The Plan outlay to the Village & Small industries which was higher than Medium and Large scale industries during the initial 3 plan periods, started coming down to its lowest of 26 per cent and 27 per cent respectively during

the 5th and 6th Five year Plan. However, it went up since then and became higher than the allocation for Medium and Large scale industries during the 11th Plan. The support is intended to contribute greatly towards domestic & export marketing and foreign exchange earnings by producing variety of products ranging from traditional to modern. The segment – wise details of the fund allocated by the Govt of Kerala is shown in Figure 1.

Figure No.1 Segment –wise Plan Fund Allocation (in Rs.lacs)



The lower rate of Plan outlay for Medium and large scale industries till 4th plan indicate the prominence of Village & Small Industries for the economic development of the state during these periods. In other words, Medium and large scale industries came into attention of policy makers as a segment to be reckoned with only since 4th Plan. This increased attention given to the

Medium and large scale industries continued till 9th plan. Thereafter, Village & Small Industries came into prominence, and in the 11th Plan, the outlay overtook the outlay for the medium and large scale industries.

1.3 Challenges of Traditional Industries:

Policies specific to protection and reservation of small scale enterprises in India has its historical roots way back in the pre-Independence period. Planners conceived a vision of industrialized India with growing capitalist enterprises either by transforming the existing merchant capital or by transforming the pre-capitalist producers. The Governments, even after independence remained the prime movers of the economy. Government invested heavily in large industries and created infrastructure. It protected the job-creating Micro, Small and Medium Enterprises (MSME) sector from competition from large industries—Indian and foreign—using tools such as licensing and import restrictions.

The liberalisation process initiated in the early 1990's changed all that. The Government chose to move behind the scene as a facilitator of economic growth and handed over the prime mover's role to the private sector.

The new regime changed the game for Indian industry forever, and it impacted MSME sector the most. The removal of import and licensing restrictions, adopted as part of the liberalisation regime, resulted in the sector facing increasing competition from multinational companies and business conglomerates that had advantages of economies of scale, access to better technology and cheap finance. The new policies affected traditional industries, which thrived in a protected environment. The rise in input cost resulting from the removal of government schemes made them non-competitive in the new open market.

While the industrialisation process had its impact on Kerala which resulted in the setting up of a few big units, the traditional industries such as handloom and coir had their slow but measured growth. They procured the raw material locally, used old technology, equipment and the easily available manpower to produce limited quantities and sold them in the local market – a very few lucky ones in the export market as well. They mostly serviced the local population and hence never saw a great leap in business. While militant trade unionism placed unreasonable demand on the management and led to the closure or near death of several units, it had a different avatar in the traditional sector. The unions desisted from raising monetary demands but resisted all attempts at modernization and use of newer and efficient technologies on the plea that they would result in loss of jobs. The managements who wanted to reform their units, however, failed to convince the trade unions on the urgency of modernization. In course of time, technologies and equipment became outdated and unviable but the managements could not go in for modernization. They had to let units die a slow death, instead. We have little history to show that the managements were alive to the avenues which newly opened up before them or at attempts on developing new marketing strategies. The products continued to be limited in number with little improvement or diversification. They continued to sell in the local market and there was little effort to explore new markets.

1.4 Cluster Approach

The government, recognizing the contribution of the MSME and traditional sectors in creating employment and sustaining the rural economy, stepped in to save them. Finding that their survival depended on reducing the cost of production, increasing investment on plant modernization, adopting

product diversification and technological innovation, the Government of India in the nineties introduced cluster-based development model for them. It essentially sought to strengthen the competitiveness of the sectors through leveraging the economies of scale.

With the threat of the assaults of globalization nearly eliminating the change-resisting traditional sectors, the State government has chosen to intervene by introducing a cluster-based approach (State Industrial Policy 2003).

1.4.1 Cluster: Definition and its Meaning.

[Michael Porter](#), a leading authority on company strategy and the competitiveness of nations and regions introduced the term ‘industry cluster’ in *The Competitive Advantage of Nations* (1990). [Paul Krugman](#) in *Geography and Trade* (1991) brought to attention the importance of economic geography, or more correctly geographical economics. [Cluster development](#) has since become a focus of many government programmes.

In the words of Michael Porter (1998) “Clusters are a geographically proximate group of interconnected companies and associated institutions in a particular field linked by commonalities and complementarities. Clusters encompass an array of linked industries and other entities important to competition ...including governmental and other institutions – such as universities, standard setting agencies, think tanks, vocational training providers and trade associations”

...geographically bounded concentration of similar, related or complementary businesses, with active channels for business transactions, communications and dialogue, that share specialized infrastructure, labour markets

and services, and that are faced with common opportunities and threats.” (Rosenfeld (1997))

Regional clustering has been used to describe industrial districts of small craft firms, high technology centers, agglomerations of financial and business service firms in cities, company towns, and large branch plants and their supply chains.” Enright (1998)

UNIDO (United Nations Industrial Development Organisation), (1995) defines a cluster as a “sectoral and geographical concentration of enterprises, especially small and medium, which share a future, both in terms of opportunities and threats”. It says MSMEs operating in such clusters derive a clear competitive advantage from:

- the proximity to sources of raw material inputs,
- the availability of suitably customised business development services,
- the abundance of clients attracted by the cluster tradition in that industry, and
- the presence of a skilled labour force.

Thus a cluster, in other words, is a geographical concentration of interconnected [businesses](#), suppliers, and associated institutions in a particular field. Clusters are considered to increase the productivity by which companies can compete, nationally and globally.

While defining a cluster, it is to be seen that too wide a product range will make product group meaningless because the common opportunities and threats cannot be said to exist for wide range; and also too large a geographical area will not allow the firms in the cluster to take benefit of development through proactive joint action. Also, defining product too narrowly will make

the cluster mapping process meaningless. It is pertinent to mention that conglomeration of firms does not necessarily imply a ‘cluster’.

Table No.1.6 gives a glimpse of what is not a cluster and why:

Table No.1.6 Clusters v/s Non Clusters

Cluster	“NOT” a Cluster
A ‘sector’ that is present in a geographical location	A ‘sector’ that is present in various places all over a state or a country, as too large a geographical area deprives units advantages of proactive joint action
An industrial estate or an industrial park having single products	An industrial estate or an industrial park having multiple products, as too wide a product range means no common opportunities and threats. Hence, little scope of joint action
A large net work (big group) of enterprises producing similar products	A small net work (small group) of enterprises producing similar products as too small a number does not offer significant scope for variety of joint actions.
A group of villages, town or city consisting of enterprises producing a similar products or services	A group of villages, town or city consisting of enterprises producing a diverse range of products or services. These are clusters in a different sense and are not enterprises based clusters
<i>Source: Compiled using various sources</i>	

1.4.2 Types of Clusters

The cluster is known by the name of the product being produced by principal firms and the place they are located in. However, Clusters are broadly divided into three based on development, knowledge and spatial characteristics (UNIDO,2000.).

1.4.2.1 By Development

Following development of the concept of interorganizational networks in Italy, [Germany](#) and practical development of clusters in the [United Kingdom](#)

and several other countries, many perceive there to be four methods by which a cluster can be identified:

- Geographical cluster –Thirupur (Tamil Nadu ,India) as a textile cluster, Ludhiana (Punjab, India) leather cluster.
- Sectoral clusters-a cluster of businesses operating together from within the same commercial sector e.g. marine, rubber, handloom
- Horizontal cluster-interconnections between businesses at a sharing of resources level e.g. knowledge management
- Vertical cluster i.e. a [supply chain](#) cluster

1.4.2.2 By Knowledge

Based on different kinds of knowledge, several types of business clusters are recognized:

- *High-tech clusters* - These clusters are [high technology](#)-oriented, well adapted to the [knowledge economy](#), and typically have as a core renowned universities and research centers like [Silicon Valley](#).
- *Historic know-how-based clusters* - These are based on more traditional activities that maintain their advantage in [know-how](#) over the years, (and for some of them, over the centuries). They are often industry specific. For example: London as financial center.
- *Factor endowment clusters* - They are created because a comparative advantage they might have linked to a geographical position. For example, wine production clusters because of sunny regions surrounded by mountains, where good grapes can grow. (Certain areas in France, Spain, Chile or California).

- *Low-cost manufacturing clusters* - These clusters have typically emerged in developing countries within particular industries, such as automotive production, electronics, or textiles. Examples include electronics clusters in Mexico (e.g. Guadalajara) and Argentina (e.g. Cordoba). Cluster firms typically serve clients in developed countries. Drivers of cluster emergence include availability of low-cost labor, geographical proximity to clients (e.g. in the case of Mexico for U.S. clients; Eastern Europe for Western European clients).
- *Knowledge services clusters* - Like low-cost manufacturing clusters, these clusters have emerged typically in developing countries. They have been characterized by the availability of lower-cost skills and expertise serving a growing global demand for increasingly commoditized (i.e. standardized, less firm-specific) knowledge services, e.g. software development, engineering support, analytical services. Examples include Bangalore, India; Recife, Brazil; Shanghai, China. Multinational corporations have played an important role in 'customizing' business conditions in these clusters. One example of this is the establishment of collaborative linkages with local universities to secure the supply of qualified, yet low-cost engineers.

1.4.2.3. By Spatial Characteristics, Inter-Firm Linkages or Both.

- *Marshallian*: Clusters comprising primarily of locally owned, small and medium-sized firms concentrated in craft-based, high-technology, or producer services industries. Substantial trade is transacted between firms. Specialized services, labour markets and institutions develop to serve firms in the cluster.

- *Hub and spoke*: These are clusters dominated by one or several large firms surrounded by smaller suppliers and related activities. Co-operation exists between small and large firms but noticeably absent is much co-operation among competitor firms to spread risks, stabilize markets and share innovations.
- *Satellite platforms*: Industry clusters dominated by branch facilities of externally-based multi-plant firms. These branch plants are large and relatively independent. Minimal trade or networking takes place among the clusters' branch plants and the incidence of spin-off activities is relatively small.

1.4.3 Cluster: Historical, Conceptual and Theoretical Perspective

Appearing in economic literature, clusters or agglomerations of related industrial activities were first explained in the late 19th century with reference to so-called Marshallian externalities (Marshall, 1890). Industrial districts are 'large number of small businesses of a similar kind in the same locality' (Marshall, 1920). He stated that proximity's most notable advantages are a pool of qualified workers, the local availability of inputs and knowledge spillovers. The major advantages of industrial clusters arise from simple propinquity (nearness in space or time) of firms, which allows easier recruitment of skilled labour and rapid exchanges of commercial and technical information through informal channels.

Marshall's ideas were revisited in the 1970s when Italian scholars (Bagnasco, 1977) explored the economic, social and cultural dynamics of industrial districts to capture the success of agglomerations of small firms in these areas of the country. These investigations revealed that in a number of sectors where small firms predominated, groups of firms clustered together in

specific regions seemed to be able to grow rapidly, develop niches in export markets and offer new employment opportunities. Such clusters were able to establish a strong position in world markets in a number of so-called traditional products - shoes, leather handbags, knitwear, furniture, tiles, musical instruments, food processing - and also in the industries which supply machinery to these sectors. In a traditional industry, such as shoes, clusters of SMEs were able to expand production and exports in the 1970s and 1980s at a time when large enterprises in Britain and Germany were in decline. Perhaps most important, such clusters seemed to have the capacity to innovate their production.

The success of the Italian districts was not only due to falling demand in period of recession, but also to a shift in the nature of demand that underscored the need for customization and small lots of products, suggesting new opportunities for SMEs and a reduction of interest in mass production, a market dominated by transnational companies (Menkveld and Thurik, 1999; Roper, 1997). This change in demand led Piore and Sabel to identify flexibility and specialization as alternatives to the Fordist model (Sabel 1984; Piore, 1990). (Fordism, exemplified by the mass-production systems used by car maker Henry Ford (1863-1947), gave workers high wages in return for intensive work. Fordism is associated with a distinctive spatial pattern of economic activity or spatial division of labour.) In the Flexible Specialization model of Piore and Sabel, clusters are viewed as models of flexible specialization, where efficiency in production and organisational adaptability can be enhanced by economies of scale and scope in regional and sectoral settings. In this model, labour is considered as a flexible factor of production contributing to the overall performance of production; flexibility refers to the ability of multi-skilled workers to shift across jobs as and when production requires. Successful

clusters were associated with trust relationships between employers and workers, the latter sorted new problems and issues, and constantly learnt new skills. In this framework, labour is ‘a resource to be developed and invested in, not a cost to be minimized’ (Holmström, 1993).

Almost at the same time in the early 1990’s Porter through his studies introduced the notion that proximity increases competitiveness of firms in the cluster. He stated the primary role of the region or the city as a source of competitive advantage and unique environment for competing in the industry. Proximity facilitates the diffusion of information about new organizational and production processes and product innovations, and lowers transactional costs, and enduring competitive advantage in a global market increasingly lies in local features, that distant competitors cannot match (Porter, 1990; 1998). For Porter, clusters are geographical and sectoral concentrations of interconnected firms and institutions, including suppliers of specialized inputs and infrastructure, and also encompass governmental agencies and other institutions, such as universities, trade associations and vocational training providers. Michael Porter claims that clusters have the potential to affect competition in three ways: by increasing the productivity of the companies in the cluster, by driving innovation in the field, and by stimulating new businesses in the field. Clusters are an alternative organisation of the value chain, promoting both competition and cooperation; without competition, a cluster will fail. Much of the cooperation is vertical, involving companies in related industries and local institutions, and coexistence of competition and cooperation is possible, because they occur in differing dimensions and among different players (Porter, 1998).

The introduction of the concept of ‘collective efficiency’ by Schmitz in the year 1999 was a major shift in the theory of cluster. Schmitz’s definition of ‘collective efficiency’ as ‘the competitive advantage derived from local external economies and joint action’, acting as a catalyst for growth, became then popular. According to him, ‘clustering opens up efficiency gains that individual enterprises can rarely attain’ (Schmitz, 1999), and it enables investments that isolated firms cannot consider. With the ‘collective efficiency’ theory, the high road to growth was made accessible with fostering of horizontal and vertical co-operation between local firms and institutional bodies, focusing on the intra-cluster productive and cooperative networks.

All the above theories underpinned the need for co-operation and joint action for better productivity to save on scarce capital.

1.4.4 UNIDO Model of Cluster Development

UNIDO has adopted this cluster-based approach as one of its strategies for contributing to the development of small and medium enterprises in developing countries and as a means of promoting sustainable and equitable growth. Over the last fifteen years, it has worked intensively in the field of SME cluster/network development in over a dozen countries in Africa, Latin America and Asia.(UNIDO, 2003). Clusters are regarded as tools to promote poverty reduction and the development of competitive industries. Building on the experience gathered in the field, UNIDO designed a methodology for the formulation and implementation of cluster development projects. The UNIDO methodology is based on the following steps:

- Cluster selection, which entails the identification of the cluster(s) to be assisted;

- Diagnostic study, an action-oriented analysis of strengths, weaknesses, opportunities and threats of the cluster(s);
- Vision building and action planning, which refers to the formulation of a vision and a corresponding development strategy shared by the entire cluster;
- Implementation, i.e. the management and co-ordination of the activities outlined in the action plan, including the establishment of horizontal and vertical networks.
- Monitoring & Evaluation (M&E) of the qualitative and quantitative outcomes of the project.

UNIDO has formulated a number of tools that can be implemented as components of a cluster development project or stand-alone measures.

They include:

- Cluster mapping, the formulation of a taxonomy of existing clusters in a region or country.
- Awareness raising initiatives, i.e. events to sensitize promoters of cluster development.
- Training for policy makers, project managers and policy advisors involved in cluster development. Training programmes are delivered in the beneficiary countries as well as at the regional and global level and last from a few days to several months.

- Study tours to grant beneficiary firms and institutions exposure to the organizational forms, policies, institutional arrangements and technologies adopted by one or more dynamic clusters.
- Cluster twinning initiatives, including business-to-business networks, inter-institutional partnerships and alliances between cluster associations.
- Development of horizontal and vertical networks and [export consortia](#).
- Monitoring and evaluation of networks and cluster development programmes. This can have different levels of intensity ranging from the appointment of a full time cluster development advisor, to regular monitoring missions by UNIDO experts.
- Training and support for the implementation of Corporate Social Responsibility ([CSR](#)) practices.

1.4.5 UNIDO Tools for Evaluating the Efficacy of Clusters

The success of a cluster depends to a large extent on the active involvement and interaction among the cluster agents so that collective result can be obtained. In other words, individual action should lead to collective action and result in collective good. The structural components and the factors behind formation, performance and success of industrial cluster are as follows:

1. Expert and professional workforce and pleasant work environment for the personnel
2. Proper technology that has the ability of competition
3. Co-operative spirit among small and medium size agencies which have the primary potentials for being put into clusters

4. The existence of a inter-agency networks, relation between agencies and customers, suppliers of raw materials and machineries for rapid and proper flow of the information that is required in the cluster
5. Possibility of having enough access to technology and innovation between agencies
6. Possibility of supplying raw material and repairing and maintaining the equipment, using the experience of other agencies
7. Existence of research and consulting entities
8. The existence of a co-ordinating entity for regulating the relations between agencies
9. Access to the market, marketing, commerce, distribution and selling
10. Possibility of funding and providing investment aid
11. Proper policies of local government and supportive entities
12. Existence of proper physical structures (energy, roads, etc networks)
13. The independence of agencies from large industries and having a type of relation that the performance of small agencies is not influenced by the policies and plans of bigger agencies.

The performance and the efficacy of cluster can be understood through changes in the following structural components and the factors:

1. Human force
2. Network of supplying the raw materials
3. Technology
4. Network for accessing the market

5. Financial supply and investment aid
6. Co-ordinating entity

Most of the developing countries including India have adopted UNIDO model of cluster development.

1.4.6 Cluster Movement in India

Policies specific to protection and reservation of small scale enterprises in India has its historical roots way back in the pre-Independence period. Planners conceived a vision of industrialized India with growing capitalist enterprises either by transforming the existing merchant capital or by transforming the pre-capitalist producers. Despite the fact that there were varying perspectives on account of the path of this transformation to modernism especially between Nehruvian and Gandhian way, small enterprises gained importance in policy resolutions both in pre- and post-Independence period. This was also driven by political considerations during the Independence movement primarily to integrate the peasant mass into the movement and also in addressing the massive growth of urban unemployment during that period. In the Second Five year Plan within the Mahalanobis Model, the role of small enterprises was conceived to be the sector producing consumer goods, especially wage goods for the economy.

The Industrial Policy Resolution of 1956 specified the fields of activity for the public and private sectors in industry and listed the broad objectives of

industrial policy, explaining their rationale and suggesting strategies to fulfil the objectives. One of the objectives of this resolution was related to the small industry sector. The resolution says:

The Government of India would, in this context, stress the role of cottage and village and small scale industries in the development of the national economy. They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilisation of resources of capital and skill which might otherwise remain unutilised. Some of the problems that unplanned urbanisation tends to create will be avoided by the establishment of small centres of industrial production all over the country. (Industrial Policy Resolution 1956)

The policy statements issued by the government of India in 1977 and in 1980 also reflected government's continued concern for this sector. In a labour-abundant, capital-scarce economy like India, one of the prime objectives of protecting and promoting small enterprises was for the creation of employment for the huge labour force, who were otherwise employed in agriculture sector where the marginal productivity of the labor was zero or minus. (Sandesara, 1988). The choice fell on small units because they operate at less capital-income ratio compared to large enterprises. However, their higher unit costs make them market-unfriendly, necessitating governmental support by way of protection and reservation

Reservation of products for exclusive manufacture in the small scale sector as a policy instrument was started with the introduction of the Industries (Development & Regulation) Act, 1951 (section 11B). The reservation policy, initiated in 1967 with 47 items, was extended to 504 items by 1978.

Table No.1.7 shows the number of reserved items over the years.

Table No.1.7 Number of Items included in the SSI Reservation List over the Years

Year	No. of items reserved
1967	47
1970	55
1974	177
1978	504
1980	833
1984	873
1986	863
1989	836
1991	807

Source: laghu-udyog.com

Economic liberalization of the nineties resulted in the rapid increase in FDI inflow into diverse sectors of industry. This had given rise to not only threats through greater competition, particularly in non-durable consumer goods industries but also opportunities for outsourcing in durable consumer goods and capital goods industries, to small enterprises. Moreover, the declining role of the public sector, which had been a major customer of small enterprises in India, has resulted in reduced growth or even absolute reduction in public sector

demand for small industry products in the 1990s. As more products were included in the OGL list, small enterprises had to face competition from imported products and hence protecting small scale producers from large scale producers became meaningless. Hence de-reservation of many of the items erstwhile included in the reservation list was a natural outcome (Sandesara, 1988).

The number of items deleted from the reserved category in successive years is shown in the Table No. 1.8.

Table No.1.8 Number of Items De-Reserved Since 1997

Period	Number of Items
1997-2001	39
May,2002	51
May, 2002-2003	75
Octobet,2004	85
March, 2005	108
May, 2006	180
January, 2007	87
March,2007	125
February,2008	79
October, 2008	14
Total	843

Source: laghu-udyog.com

Although the list of reserved items gradually declined, the mode of protection remains one of the tools to promote small enterprises. And the issue of reservation/dereservation of product is examined on a continual basis by an Advisory Committee on Reservation, Government of India. The present policy of encouraging growth of micro and small scale industries is based on several promotional measures including reservation of products for which there is techno-economic justification for exclusive manufacture in the small scale

sector. By 2010, there were only 21 items reserved for exclusive manufacture by micro and small enterprise sector.

In this context what seems to be important for MSME is to enhance competitiveness which is a cumulative process of capability building. This does not depend only on the scale of operation and the efficiency does not necessarily increase with size. The rise in efficiency along with the scale of operation reaches a critical limit beyond which costs either remains same or even increases. The SME is very often too small to capture full market opportunities because of the sub-optimal plant-capacity, quality-standards, procurement and marketing capabilities. They were unable to achieve economies of scale. The small size itself did not permit investment in training, technology, quality, market intelligence etc and they could not achieve job-specialisation, division of labour, innovation etc. Because of the continuous struggle for survival, owners and managers are generally focused on routine matters; they lack long term perspective. To be competitive in the global context, they need to fight technological obsolescence, poor product-quality, information deficiencies, market-linkages etc. Engaging with a vast market basically reduces the size advantages of an individual firm while spatial agglomeration could help deriving benefits of such huge markets. And especially as more and more job gets compartmentalized and standardized the less would be the advantages of vertical integration. This scenario led to the promotion of small and medium enterprise clusters in India that could on the one hand emerge as appropriate industrial organization suitable for the current global structure of manufacture and also could take care of the problem of creating gainful employment.

Realizing the importance of small enterprises in the development and growth of the economy, Govt of India constituted an Expert Committee on Small Enterprises in 1996 headed by Prof Abid Hussain (Report of the Expert Committee on Small Enterprises, chaired by Prof Abid Hussein, Govt of India, 1996). The Abid Hussain Committee observed that reservations had played only a limited role in promoting small scale industries while restricting large industries in these industries as reservation policy did not allow small enterprises to grow above a certain investment limit. This provides a perverse incentive to accumulate capital by moving horizontally to build a number of small units, rather than moving vertically up to become a larger unit. Moreover manufacture of many reserved items at appropriate quality and efficiency levels requires an investment which is well above the existing investment limits. The Expert Committee advocated cluster-support policies as the fulcrum of the small enterprises development and recommended its promotion rather than protection. They also advocated involvement of associations, NGOs and private sector in formulation and execution of promotional schemes, besides public institutions focused on group of enterprises (cluster) targeted as beneficiaries. The Ministry of MSME [earlier known as Ministry of Small Scale Industries and Agro & Rural Industries (SSI & ARI)] came into being from 1999 to provide focused attention to the development and promotion of the sector.

Though State Bank of India (SBI), Small Industries Development Organisation (SIDO), National Bank for Agriculture and Rural Development (NABARD) etc introduced technology focused cluster development program in select clusters in 1980's and 1990's, it was only with the Recommendations of

Abid Hussain Committee on Small Scale Industry in 1996 that cluster approach was adopted as strategy for support to small and medium enterprises in India, in a big way.

The ministry of Micro, Small & Medium Enterprises, Government of India laid special emphasis for development of clusters and launched a scheme for technology up-gradation and management called UPTECH in 1998. Although it was having a cluster based approach for development of SMEs, it was mainly technology–focused comprising of a diagnostic study, setting up of a demonstration plant and organizing workshops, seminars etc for quicker diffusion of technology across the cluster of small enterprises. In the same year UNIDO conducted a number of cluster development programme primarily to develop clusters so that they could be integrated to the global market in course of time. The outcome of these studies largely influenced government policies on cluster development. Subsequently, in several Budget speeches the emphasis was made on adoption of cluster based approach to increase the productivity and competitiveness of small and medium enterprises. On 10th August 2005, the Government of India announced a policy package whereby cluster development was made the plank for making Indian SMEs globally competitive. The earlier scheme of Industrial Infrastructure Development (IID) was subsumed in the new scheme of Small Industry Cluster Development Programme (DC, Ministry of MSME, 2007).

Subsequently in 2007, GoI introduced the landmark *Micro, Small and Medium Enterprises Development (MSMED) Act, 2006*. The act seeks to facilitate the development of these enterprises as also enhance their

competitiveness. It provides the first-ever legal framework for recognition of the concept of “enterprise” which comprises both manufacturing and service entities. It defines medium enterprises for the first time and seeks to integrate the three tiers of these enterprises, namely, micro, small and medium. The Act also provides for a statutory consultative mechanism at the national level with balanced representation of all sections of stakeholders, particularly the three classes of enterprises with a wide range of advisory functions. Establishment of specific Funds for the promotion, development and enhancing competitiveness of these enterprises, notification of schemes/programmes for this purpose, progressive credit policies and practices, preference in Government procurement to products and services of the micro and small enterprises, more effective mechanisms for mitigating the problems of delayed payments to micro and small enterprises and assurance of a scheme for easing the closure of business by these enterprises are some of the other features of the Act. Subsequent to implementation of Micro, Small and Medium Enterprises Development Act, 2006 with effect from October 2006 filing of Entrepreneurs Memorandum Part-I and Part-II came into vogue. (DC, Ministry of MSME, 2009).

Table No. 1.9 shows the Classification of MSMEs as per the MSME Act, 2006

Table No.1.9 Classification of MSMEs

Enterprises	Investment in Plant & Machinery (Manufacturing)	Investment in Equipment (Service)
Micro	Upto ` 25 lakh	Upto ` 10 lakh
Small	Above ` 25 lakh upto ` 5 crore	Above ` 10 lakh upto ` 2

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		crore
Medium	Above ` 5 crore upto ` 10 crore	Above ` 2 crore upto ` 5 crore
Ministry of MSME, Gol		

As per the provisions of the Act, all MSMEs are required to file Entrepreneurs Memorandum (Part-I) at District Industries Centres (DICs). After commencement of the project, the entrepreneur concerned is required to file Entrepreneurs Memorandum (Part-II) [EM (Part-II)]. Prior to enactment of the MSMED Act, 2006 there was a system of registration of small scale industrial units by the DICs. This simplified the procedures in starting a MSME unit in India.

The Budget speech of 2006-07 pointed out that “The Cluster Development model can be usefully adopted not only to promote manufacturing but also to renew industrial towns and build new industrial townships”. Thereafter an Empowered Group of Ministers (EGoM) under the chairmanship of the External Affairs Minister was constituted to lay down the comprehensive policy for cluster development and oversee its implementation by different ministries of the Government of India. State Governments of Gujarat, Madhya Pradesh, Andhra Pradesh, Kerala, etc. in their Industrial Policy made the cluster development approach as a means to support, develop and enhance productivity of SMEs and make them globally competitive. The Office of Development Commissioner (Small Scale Industries) issued an office memorandum on March, 2006 elaborating on the guidelines of the Small Industries Cluster Development Programme (SICDP). The scheme was devised to assist all the stakeholders in formulating proposals for financial support from the Ministry of

Small Scale Industries for implementation of cluster development initiatives under the Small Industries Cluster Development Programme (SICDP). In October 2007, SICDP' was renamed as 'Micro and Small Enterprises - Cluster Development Programme (MSE-CDP)'. The 'Integrated Infrastructural Development (IID)' Scheme was also subsumed in MSE-CDP for providing developed sites for new enterprises and upgradation of existing industrial infrastructure. A comprehensive MSE-CDP was introduced by the office of Development Commissioner (MSME), the Ministry of MSME.

With the promulgation of the MSMED Act, 2006, the restrictive 24% ceiling prescribed for equity holding by industrial undertakings, whether domestic or foreign, in the MSEs has been done away with and MSEs are defined solely on the basis of investment in plant and machinery (manufacturing enterprises) and equipment (service enterprises). Thus, the present policy on FDI in MSE permit FDI subject only to the sectoral equity caps, entry routes and other relevant sectoral regulations.

Limited Liability Partnership (LLP) Act, 2008: The LLP is an alternative corporate business vehicle that would give the benefits of limited liability but would allow its members the flexibility of organizing their internal structure as a partnership based on an agreement. While the LLP will be a separate legal entity, liable to the full extent of its assets, the liability of the partners would be limited to their agreed contribution in the LLP. Further, no partner would be liable on account of the independent or unauthorized actions of other partners, thus allowing individual partners to be shielded from joint liability created by another partner's wrongful business decisions or misconduct. The LLP Act is expected to

pave way for greater corporatisation of the Small and Medium Enterprises – thereby enhancing their access to equity and funds from the market.

The policy framework for the small sector to bestow ‘protection’ and financial, marketing and technological support extended through the Successive Five Year Plans (FYPs) adopted by Government of India and accompanying Industrial Policies are given in the table no.1.10.

Table No 1.10 Evolution of Promotional Policy Framework for Small-Scale Sector

Year	Significant Development	Objective
1948	Industrial Policy Resolution	Support through Policy and fiscal measures to Cottage and small scale industries for better utilization of local resources and achievement of ‘local sufficiency’
1951	First Five Year Plan	Advocated elaborate & determined state policy intervention covering Finance, Raw materials, Technical and Marketing guidance Mooted ‘protection’ of spheres of production for the sector
1955	International Planning team (Ford Foundation),	Setting up of institutional framework for Technical, marketing, credit assistance; provided basis for Small Industries. Development Board (now DCMSME), National Small scale Industries Corporation (NSIC) to come up
1956	Second Five Year Plan	Laid foundation for establishment of promotional and support institutions: NSIC, SISIs, State Financial Corporations Provided for development of Industrial Estate
1956	Karve Committee Report (1956) (Under Planning Commission)	Stepping stone for future small sector policies Recommended state intervention in ensuring access to raw materials; institutional finance; technology; markets; skills; power; common facilities; industrial estates; raw material and producer cooperatives differential taxation; cooperative marketing
1977	Industrial Policy Statement	Declared ‘whatever can be produced by small and cottage industries must only be so produced’; Took protection to new heights; reserved items in SSIs expanded from 180 to 807. Mooted the

		concept of District Industry Centers (DICs) Tiny sector defined within the small scale sector
1980	Industrial Policy Statement	Focused ancillarisation and creation of nucleus plants Modernization and technological up-gradation
1992	Eighth Five Year Plan	Advocated reform agenda: lifting of QRs, removal of licensing, quotas; Stressed technological upgradation and marketing support, Mooted 'Growth Center Approach' (which later crystallized into the cluster development approach in India)
1991	Industrial Policy Measures	Paradigm shift in policies: 'protection to promotion' Industrial licensing done away with and Backed removal of Quantitative Restrictions on imports and process of de-reservation of SSIs
1997	Expert Group on Small Enterprises (Abid Hussain Committee) Report	Comprehensively reviewed past policies and advocated change of course; Suggested 'Protection to promotion'; de-reservation but with technological and marketing support Changed focus of support from unit level to groups of industries; brought industrial clusters in focus
1999	Setting up of The Ministry of MSME in	Focused attention to the development and promotion of the sector
2006	Micro, Small and Medium Enterprises Development Act, 2006	Aims at faster development of these enterprises as also enhance their competitiveness. It provided the first-ever legal framework for recognition of the concept of "enterprise" which comprises both manufacturing and service entities
2008	Limited Liability Partnership (LLP) Act, 2008	The LLP Act should pave the way for greater corporatisation of the Small and Medium Enterprises – thereby enhancing their access to equity and funds from the market
<i>Source: Compiled using data from the Five Year Plan documents, Planning Commission; Industrial Policies, Ministry of Commerce and Industry, GoI</i>		

1.4.7 Operationalisation of Cluster-

India started implementing the cluster model in an extensive manner through the Ministry of Small Scale Industries since January 1997 with funds from Italian Government and Swiss Agency for Development and Cooperation (SDC). The major objectives of the cluster model were to:

- ❖ Strengthen the competitiveness of selected SME clusters by enhancing collective efficiency and cooperation (networking),

- ❖ Develop and disseminate a methodology for cluster development suited to Indian conditions,
- ❖ Promote a cluster development movement in India and
- ❖ Enhance the contribution of cluster development to the development objective of poverty-alleviation. (Development Commissioner, Ministry of Textiles, GoI)

1.4.8 Institutional Mechanism for the Implementation of Clusters

As mentioned earlier, India started implementing cluster through the scheme viz MSE-CDP.

1.4.8.1 Objectives

The broad objectives of the MSE-CDP scheme are given below:

1. To support the sustainability and growth of MSEs by addressing common issues such as improvement of technology, skills and quality, market access, access to capital, etc.
2. To build capacity of MSEs for common supportive action through formation of self help groups, consortia, upgradation of associations, etc.
3. To create/upgrade infrastructural facilities in the New/existing industrial areas/ clusters of MSEs.
4. To set up common facility centres (for testing, training centre, raw material depot, effluent treatment, complementing production processes, etc).

1.4.8.2 Strategy and Approach:

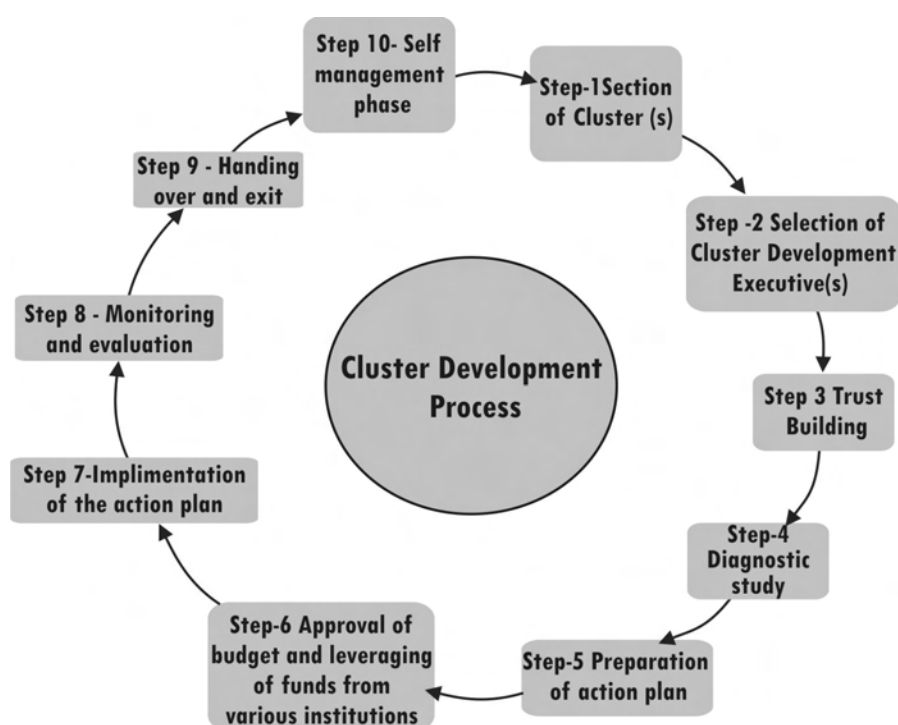
The MSE-CDP scheme is aimed at addressing the needs of the industries, through well defined clusters and geographical areas. This is aimed at enabling the industries achieving the economies of scale in terms of deployment of resources as well as focusing on the specific needs of similar industries. The capacity building of associations, setting up of special purpose vehicles (SPVs), consortia, etc. which are integral part of the scheme would enable the MSEs to leverage their resources and also to have better access to

public resources, linkages to credit and enhance their marketing competitiveness.

1.4.8.3 Formation of a Cluster

The ten main steps are involved in the implementation of a typical cluster. They are given schematically in Figure No.1.2

Figure No. 1.2 Formation of a cluster



There are several core areas of intervention envisaged under the scheme. They are given in the Table No 1.11

Table No.1.11 Core areas of intervention under Cluster

	Components	Key Activity	Result
1	Diagnostic Study	Map all the business processes of the cluster units and find out their Strengths, Weaknesses,	A well-drawn action plan

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		Threats and Opportunities (SWOT),	
2	Soft Interventions	Creation of general awareness, counselling, motivation and trust building, exposure visits, participation in seminars, workshops and training programmes	General attitudinal changes necessary to initiate improvement in the existing style of working of the MSEs in the cluster.
3	Detailed Project Report (DPR)	Preparation of a technically feasible and financially viable project report	Conceptual clarity on the activities to be done and sourcing funds based on the activities planned
4	Hard Interventions	Creation of tangible "assets" such as Common Facility Centers, Design Centres, Testing Facilities, Training Centre, R&D Centres, Effluent Treatment Plant, Marketing Display/Selling Centre, Common Logistics Centre, Common Raw Material Bank/Sales Depot, etc.	Balancing/correcting/improving production line that cannot be undertaken by individual units thereby reducing the input costs.
5	Infrastructure Development	Creation of infrastructural facilities like power distribution network, water, telecommunication, drainage and pollution control facilities, roads, banks, raw materials,	Better product at a lower a input cost

		storage and marketing outlets, common service facilities and technological backup services etc.,	
<i>Source: Compiled using various published documents on IHDS-CDP by the Ministry of Textiles, GoI</i>			

1.4.8.4 Project Approval Monitoring and Evaluation:

The proposals under the scheme will be considered for approval by the Steering committee of the MSE-CDP with Secretary (MSME) as Chairman. The Development Commissioner (MSME) acts as the apex body for co-ordinating and overseeing the progress of the projects. The concerned State Governments should monitor the projects implemented by their autonomous bodies and SPVs to ensure satisfactory and time-bound implementation of the activities. Each State Government has to constitute a Project Steering Committee under the chairmanship of Secretary or Director of Industries and consisting of representatives of all stakeholders for this purpose. In case of cluster development projects not covered as above, the office of DC (MSME) directly monitors the progress with the assistance of or through its field level offices.

1.4.9 Cluster Programmes in India

Pursuant to implementing the cluster development programme, several schemes and programme were launched by Central Ministries/Departments and its agencies and also various state Governments and its institutions. The details of such schemes and programmes are given in the table no. 1.12.

Table No.1.12 Major Cluster Development Programmes in India

S.N o.	Name of the Scheme	Name of the Ministry/Department/Ag	Focus of the Scheme
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		enies	
1	Scheme for Integrated Textile Parks (SITP)	Ministry of Textiles	Infrastructure Development
2	Baba Saheb Ambedkar Hastshilp Vikas Yojna	Development Commissioner (Handicrafts), Ministry of Textiles	Development of Handicrafts clusters
3	Integrated Handloom Development Scheme (IHDS) / Integrated Handloom Cluster Development Scheme (IHCDS)	Development Commissioner (Handlooms), Ministry of Textiles	Development of Handloom clusters
4	National Programme for capacity building of textiles SMEs through cluster based approach	Textiles Committee, Ministry of Textiles	Capacity Building
5	Micro and Small Enterprises Cluster Development Programme (MSECDP)	Development Commissioner (MSME), Ministry of MSME	Productivity and Competitiveness
6	National Small Industries Corporation (NSIC)	National Small Industries Corporation	Machinery and Equipment
7	National Programme for Rural Industrialization (NPRI)	National Bank for Agriculture and Rural Development	Skill and technology
8	Scheme of Fund for Regeneration of Traditional Industries (SFURTI)	Khadi and Village Industries Commission and Coir Board under the Ministry of MSME	Productivity and Competitiveness
9	Industrial Infrastructure Upgradation Scheme (IIUS)	Department of Industrial Infrastructure Policy and Promotion, Government of India	Infrastructure
10	NMDFC Micro Financing Scheme	National Minorities Development & Finance Corporation (NMDFC)	Employment
11	SBI Project UPTECH	State Bank of India	Technology
12	SIDBI Technological	Small Industries	Competitiveness

	Upgradation Fund Scheme (TUFS)	Development Bank of India (SIDBI)	ss
13	SIDBI-Financing and Development of SMEs	Small Industries Development Bank of India (SIDBI)	Credit
14	NABARD Cluster Development Programme	National Bank for Agriculture and Rural Development	Competitiveness
15	NMCC-Project Vikas with support from Microsoft	National Manufacturing Competitive Council	Competitiveness
16	Margin Money Scheme for Cluster Development Activities	Department of Industries, Government of Kerala	Productivity and Competitiveness
17	Grant Assistant to Cluster Development Activities	Industries Department, Government of Kerala	Training/Skill
18	Scheme for Assistance to Cluster Development	Industries Commissionerate, Government of Gujarat	Competitiveness
19	Integrated Cluster Development Programme	Rural Industries Department, Government of Madhya Pradesh	Promotion of Traditional products
20	Craft Village Scheme (Shilpgram Yojna)	Department of Handicrafts, Government of Orissa Director (Handicrafts)	Employment
21	Cluster Development Programme	Government of Rajasthan, Industries Department	Productivity and competitiveness
22	Boosting employment through Small Industries Development	International Labour Organisation	Health & Hygiene
23	MSECDP of West Bengal	Government of West Bengal Directorate of Micro and Small Scale Enterprises	Productivity and Competitiveness
24	Scheme for promotion of	Bureau of Energy Efficiency	Energy

	Energy Efficiency in MSMEs		
<i>Source: Ministry of MSME, GoI</i>			

Thus in India, cluster is implemented across different sectors by different Ministries of the Central and State Governments through the agencies and departments under them.

1.4.10 Cluster Development Activities in Kerala

Government of Kerala adopted Cluster Development as an important postulate of the Industrial Policy of the year 2003. Since then several steps have been taken at the apex level of the Government for Cluster Development. Industrial Policy-2003 had stated that sector specific clusters of industrial units would be promoted with the assistance of financial institutions and skill development facilitated through common facility centres and training institutions. The policy envisaged creating a system of decentralized production and centralized marketing, centralized designing and centralized quality control to be implemented in the MSME sector. New Tool rooms, Testing Centres and Sub-contracting Exchanges to facilitate buyer seller interaction were also to be set up in the State. (Industrial Policy, Government of Kerala, 2003)

In line with the objectives stated under the Industrial Policy, Government of Kerala initiated several steps aimed at ensuring committed efforts towards development of clusters in the State. A few of these are explained below: The key milestones in the introduction of cluster development activity in the Kerala MSME sector is shown in Table No. 1.13

Table No.1.13 Key milestones by Government for the cluster development activity in Kerala

Activity	Date	Purpose
Visit of Korean team	September 2003	Tie up for Raw material supply for the manufacture of coir products
Interactive Meeting with Senior Expert Service (SES), Germany, on Expert Services & Cluster Development	April 2004	To explore the possibility of business tie up with the existing Consortium members
Awareness Workshop for Lead Bank Managers	August 2004	Sensitise on the role of the Financial Institutions in Cluster Development programme
Training Programme for Bankers & other Financial Institutions	September 2004	Sensitise on the role of the Financial Institutions in Cluster Development programme
Training programme for officials of Department of Coir as CDA's	October 2004	To provide Training programme for CDA's in Coir
One day session to CDA's on Product Marketing	May 2005	For enhancing marketing linkages in the value chain
Interactive Session with CDA's & Cluster Members	June 2006	Cluster Experience sharing
<i>Source: K-BiP, Department of Industries, Government of Kerala</i>		

The above process helped to sensitise the stakeholders on the role and importance of cluster development initiatives for the development and growth of MSME in the state. Concurrently, Ministry of MSME on their part and other ministries such as Textiles introduced clusters in Kerala.

In order to establish the areas where Government interventions are required, diagnostic studies for each Cluster were conducted with special emphasis on assessing limitations in terms of quality, facilities for testing and research, technical knowledge, information channels, organisation skills, market linkages and export potential. Based on the results of the diagnostic study, a detailed action plan for Cluster development was charted out and implemented. Officials of the Industries Department were given intensive training in association with UNIDO and with the help of EDI Experts, to act as Cluster Development Agents (CDAs). (K-Bip, 2003)

1.4.11 The Implementation & Monitoring Mechanism for Cluster Development in Kerala

The Cluster Development activities in the State are implemented by the Department of Industries & Commerce through the Directorate of Industries & Commerce(DIC). The District Industries Centers under the DIC directly monitors the implementation of the clusters in their respective Districts. As per the Kerala Government's Industries Policy, the role of DICs is to act as the Key Resource Group for the initiative. DICs offer critical intervention services at all stages of the programme, act as a mentor to the CDAs, co-ordinate the cluster development efforts, suggest mid-course corrections, organise refresher and interaction programmes for the CDAs and liaise with the major players in the

programme, including national and international level agencies. Kerala Bureau of Industrial Promotion (K-BIP) is the co-ordinating Agency of the Department for implementation of the Cluster Development Programme in the State.

1.4.12 MSME Development Institute and Cluster Development in Kerala

In sectors where DIC or other departments are not involved (on behalf of the state Government), the Government of India through the MSME Development Institute, Thrissur Kerala (MSME-DI Thrissur), implements the Cluster in the State. MSME Development Institute, Thrissur Kerala (MSME-DI Thrissur) is the field outfit of Development Commissioner (MSME) under the Ministry of MSME, Government of India to take care of the needs of MSME sector in the State of Kerala and the Union Territory of Lakshadweep, in the areas of Techno-economic and managerial consultancy services. They have taken up 6 clusters for development in the State. They are in the areas of Gold ornaments, Dies & Moulds, Notebooks, Rice Milling, General Engineering and Diamond and the work thereon is in Progress (Economic Review, Government of Kerala, 2012)

Other than DIC and MSME-DI, in certain sectors, concerned departments act as the implementing agency for the various cluster programmes implemented in them.

1.4.13 Clusters in Kerala –Current Status

The cluster development activities initiated in the identified areas / sectors in the State are in various stages of implementation. The first legally constituted consortium in Kerala “Rubber Cluster at Changanacherry named as Natural Rubber and Fiber Product Manufacturing Consortium (P) Ltd (Rubber

cluster, Kottayam) was established in the year 2003. The success of the Rubber Cluster, Kottayam, gave thrust to Cluster Development activities by emphasising promotion of Sector Specific Clusters.

As on date, the Ministry has accorded approval to set up 13 Nos. Common Facility Centres (CFC) projects in various locations of our State. Out of this, 6 Nos. CFC projects has already been Commissioned and the remaining are in various stages of implementation. The details are enclosed in Table No. 1.14

Table No.1.14 Common Facility Centres (CFC) in Kerala as on 31.03.2012

I	CFC Projects already commissioned	Location
1	Rubber Cluster	Changanacherry
2	Plastic Cluster	Aluva, Ernakulam
3	Terra Tile Cluster	Thrissur, Ernakulam
4	Plywood Cluster	Perumbavoor, Ernakulam
5	Rice Millers Cluster	Kalady, Ernakulam
6	Furniture Cluster	Perumbavoor, Ernakulam
II	CFC Projects in various stages of implementation	Location
7	Valluvanad Wood Cluster	Perinthalmanna, Malappuram
8	General Engineering Cluster	Manjeri, Malappuram
9	Wood Cluster	Chadayamangalam, Kollam
10	Furniture Cluster	Taliparamba, Kannur
III	CFC Projects for which approval received from Government of India	Location
11	Screwpine Cluster	Vaikkom, Kottayam
12	Ethnic Food Cluster	Pala, Kottayam
13	Offset Printers Cluster	Ernakulam
<i>Source: K-BiP, Department of Industries, Government of Kerala</i>		

The initial survey conducted by DIC revealed the need for adopting Cluster Development Programme in many of the districts in Kerala in an extensive manner across different sectors. They are given in Table No.1.15

Table No.1.15 District-wise list of Clusters Identified in the initial Survey of Industries Department

District	Clusters
Kasaragod	Handicrafts, garments
Kannur	Handloom, Garments, Plywood, Printing Press
Wayanad	Coffee Powder, Curry Powder & Garments
Kozhikkode	Ethnic Food, Footwear and Jewellery
Malappuram	Rubber, Food, Wood & Garments
Palakkad	Ethnic Food, Bell Metal, Agricultural Equipments
Thrissur	Diamond, Wood, Tiles, Re-threading M/Cs, Notebook
Ernakulam	Plywood Food (3)& Rubber, Light Engineering, Elect & Electronics, Plastic, Wood, Paint Garment, Mineral Water
Idukki	Garments & bamboo
Kottayam	Leather Garments & Food
Alappuzha	Bell Metal, Stone Metal
Pathanamthitta	Food, General Engineering
Kollam	Clay, Wood, Food, Pencil
Thiruvananthapuram	Wood, Handicraft, Printing, Cane, Handloom
Source: K-BiP, Department of Industries, Government of Kerala	

1.4.14 Handloom Clusters in Kerala

One of the sectors where cluster based approach was introduced is handloom sector. Government of Kerala has been actively implanting a number of cluster schemes of GoI in the handloom industry. The major clusters schemes are given below;

1.4.14.1 Swarnajayanthi Grama Swarozgar Yogana (SGSY)

The Scheme, being implemented by National Rural Livelihood Mission (NRLM), Ministry of Rural Development envisages empowering and enabling the rural people thereby eradicating poverty. It was introduced as an innovative project for the social and economic development of Marginal Handloom Weavers through the creation of micro enterprises involved in the delivery of handloom products to exporters and big domestic players, by augmenting the infrastructure facilities and by adopting appropriate social and technology intervention strategies Under this scheme, the cluster was to have a 3000 weavers, ie 300 groups of 10 weavers each.

There are only 2 clusters in Kerala. They are Thanima Cluster in Thiruvananthapuram and Krithika Cluster in Kannur. These two projects are implemented by Hanveev.

1.4.14.2 Integrated Handloom Cluster Development Scheme (IHCDS)

Development Commissioner, Ministry of Textiles, GoI introduced clusters in Handloom industry through a programme called The 'Integrated Handloom Development Scheme' in the year 2005-06. It is implemented as a Centrally Sponsored Scheme aimed at enhancing the competitiveness in the textile industry both in the national and international markets and exploiting the free trade opportunities emerging in the post Multi Fibre Agreement (MFA) environment. The Integrated Handlooms Development Scheme (IHDS) is an

attempt to facilitate the sustainable development of handloom weavers located in and out side identified handloom clusters into a cohesive self managing and competitive socio - economic unit.

Accordingly 20 clusters having a minimum number of 5000 looms were identified for handloom clusters all over India at a cost of Rs. 2.00 crore per cluster. Out of this, one cluster is Trivandrum Cluster in Kerala. Kerala State Handloom Development Corporation Ltd, is the Implementing Agency for setting up of Handloom cluster at Trivandrum, in Kerala State. (Economic Review, GoK 2010)

1.4.14.3 The Integrated Handlooms Development Scheme –Cluster Development Programme (IHDS-CDP)

Development Commissioner, Ministry of Textiles, Government of India introduced Integrated Handlooms Development Scheme –Cluster Development Programme (IHDS-CDP) in Dec. 2007 with the objective of integrated and holistic development of the Handloom Sector. In India, the Cluster Development Programme is implemented in Handloom as part of IHDS. As per the Programme, clusters each having 300-500 handlooms will be developed with ceiling of Rs.60.00 lakh per cluster in a time period of 3 years. The guiding principles underlying the design of cluster is to create local level accountable institutions, which can integrate the production chain in a manner that caters to the business needs of the local Enterprises. In brief, the main objective of cluster approach is to assist the weavers and others to provide adequate training and Human Resource Development (HRD) inputs along with appropriate market linkages etc. (Source: Ministry of Textiles, GoI)

Government of India sanctioned 24 projects submitted by State Government and Directorate of Handlooms and Textiles, GoK is the co-ordinating agency for these clusters.

1.4.14.4 IHDS –Group Approach

Handloom Weavers who are not covered by the above cluster schemes will be covered under Group Approach. A Group should have more than 10 weavers, which can be in the form of Self Help Groups (SHG), Primary Weavers Co-operative Societies (PWCS) and other independent / individual weavers in groups. Assistance to such a group of weavers will be provided for basic inputs, skill up-gradation, Construction of work-shed etc.

A total of 192 groups were identified in the State for getting benefits under the Group approach for development of handlooms, out of which 21 Groups were approved by Government of India.

1.5 Statement of the Problem

As already mentioned, one of the key sectors, identified by the Department of Industries Government of Kerala, for the cluster development initiative is Handloom, which gives employment to over over 50,000 people directly. Despite its age old tradition and fame, the performance of the sector vis-à-vis power looms is not very rosy owing to (i) competition from cheap power loom cloth from other states (ii) scarcity of quality yarn (iii) price escalation of yarn, dyes, chemicals and other raw materials (iv) the shrinking market for handlooms in Kerala (v) non-demand based production and inadequacy of new designs and (vi) inefficiencies in the system, particularly in the co-operative sector. Cluster based approach is adopted in the handloom sector with the objective of providing necessary support mechanism to come

out of the crisis that the sector faces now. While four cluster schemes are being implemented in Kerala, it is under IHDS-CDP that the State got a sizeable number of clusters benefiting a large number of societies and weavers- 24 handloom clusters, bringing 152 handloom co-operative societies and over 19,800 handloom workers under the Programme.

This research attempts to revisit the underlying rationale and context of the new direction and would attempt to broadly analyze the growth trends under the influence of cluster model adopted by the State IHDS-CDP for the revival of handloom sector through a detailed study of the handloom co-operative societies in Kerala. If handloom sector in Kerala can be revived using cluster based approach, it can be easily concluded that cluster is capable of taking the MSME in Kerala to a 'high growth path.' The study is aimed at understanding how best clusters emerge as appropriate industrial organization suitable for the current global structure of manufacture.

1.6 Objectives of the Study

Traditionally, it has been accepted that the textile industry in general and handloom industry in particular is highly employment intensive. Therefore, the prospects of this sector have a bearing on the lives of a number of people employed in the sector. As the growth in the handloom sector has not been upto the expectations and is beset with a number of problems with technology, market and capital having a bearing for the future of this sector, it was decided to take up the efficacy of the cluster development programme, designed for revival of this sector, for this research.

While the broader objective of this research is to understand the effectiveness of cluster as a growth model for MSME and traditional industries in Kerala, the specific objectives of the research are:

1. To understand in detail, the operational weaknesses of handloom co-operative societies in Kerala.
2. To critically examine and evaluate the efficacy of cluster based approach in overcoming operational weaknesses of handloom co-operative societies in Kerala and;
3. To make suggestions, which would aid the Government or cluster implementing agencies in achieving the objectives in new clusters, if any, being planned in the handloom sector.

1.7 Research Methodology

Clusters are complex and dynamic structures that are subject to continuous change. Strong clusters can promote economic growth through leveraging the innovation and business potential of a region. The performance of clusters depend on favorable framework conditions such as infrastructure or regulation, the composition of and interaction between cluster participants and the quality of the cluster management organization. So the success or failure of a cluster can be studied and determined only by evaluating its achievements in all the aspects of Collective Efficiency.

1.7.1 Research Approach

The following two approaches are commonly used in social science research for analysing the efficiency and impact of a development programme;

“Before and After Approach”

&

“With or Without Approach”.

In the “Before and After approach”, the impact of a particular phenomenon is studied by comparing the same set of sample population at two points of time i.e. before the application of the stimulus and after its application.

“With or Without Approach” refers to the method of knowing the impact of a particular phenomenon by comparing one set of sample in which stimulus is applied with another set of samples in which stimulus is not applied at a particular point of time.

1.7.2 Methodology:

UNIDO has formulated methodologies for analysing the efficacy of cluster-based approach for industrial development, universally.

Seyed V. M. Hosseini, and M. R. Ghanbari (2011) developed the structural components and the factors to understand the performance and efficacy of clusters based on UNIDO methodologies viz:

1. Human force
2. Network of supplying the raw materials
3. Technology
4. Network for accessing the market
5. Financial supply and investment aid
6. Co-ordinating entity

1.7.3 Measurement of Impact:

Different methods and a wide range criteria and research techniques are in use to measure the Impact of Clusters. Economists have designed several models to analyze behavioral and functional dimensions of clusters viz

interrelations of enterprises within a certain cluster, upstream and downstream relations amongst clusters as well as overflow and clusters' overlapping.

Bergman & Feser (1999) categorize clusters analysis methods as the following:

- a. Expert viewpoint
- b. Location factor
- c. Matching based on input-output table
- d. Network-based analysis
- e. General census

Expert viewpoint method is used whenever there is no proper and enough information and also enough time and budget to collect them. This is mainly resorted to when the present information is unreliable. In this case, simple survey and/or repeatable survey of experts would be used.

Location factor method is used to represent import or export states of the cluster using national information and particularly local factors of employment and its interference in local statistics. Inter-cluster interference state is then analyzed by using of obtained factors. It does not focus on or compare or study other clusters and/or local parts and other regions

Matching based on input-output table method scrutinizes national and regional input-output tables and their coefficients. Inter-cluster interference coefficient would be analyzed through upgrading and comparing with regional wages' level.

Network-based analysis is a method in which, because of lack of enough opportunity and cost, a main enterprise of a certain cluster is selected and then some decisions will be taken about state of the cluster through studying behavior of its enterprise.

General census method is indeed the most expensive and most precise method to analyze clusters. It is able to bring about precise and reliable information for complete and precise analysis of clusters; hence it may be used as the basis of policy making. Bergman & Feser (1999)

To understand the efficacy of the Cluster Based Approach, the researcher has analysed the structural components of clusters in the two phases of ‘Before and After Approach’ and With or Without Approach’, using the General Census method.

A three-pronged strategy is used for evaluating the overall performance of handloom clusters in Kerala. They are given in Table No.1.16.

Table No.1.16 Strategy for evaluating the performance of handloom clusters in Kerala

	Strategy No.	Objective	Tools
1	Evaluating clusters for their ability to enhance Collective Efficiency of the handloom co-operative societies in its institutional aspects.	To assess the impact the cluster approach has made to the handloom sector in the pre-and post cluster intervention scenario, by analyzing the aggregates for the key parameters such as human force, development of network for raw material procurement, skill up-gradation, diversification, adoption of modern technology, Network for accessing the market, Financial	Field Survey for two period viz 2008 as Pre- Intervention Year and 2012 as Post Intervention Year

		supply and investment aid	
2	Evaluating clusters for their ability to enhance Collective Efficiency of the handloom co-operative societies in its enterprise aspects	The success or failure in enhancing Collective Efficiency of the handloom co-operative societies in its enterprise aspects is evaluated by analyzing the turnover, and profitability that it achieved on account of adoption of cluster approach.	Financial statements of the handloom co-operative societies from 2005-2012
3	Evaluating clusters from their functional & operational aspects:	The success or failure of clusters in its functional & operational aspects is evaluated by analyzing the handloom cluster scheme and the clusters in the selected pockets.	Cluster Development Executives of the clusters, Hantex, Hanveev, the Directorate of Handloom & Textiles, GoK,
<i>Source: Compiled by the researcher</i>			

1.8 Tools used for Data Analysis

The research is both analytical and descriptive in nature using both primary and secondary data. While the former included field visits to various weaving centers for primary data collection, the latter consisted of archival research, as well as the compiling of data from official and non-official published sources. Data was obtained from the financial statements of the clusters, balance sheets of the co-operative societies etc for detailed analysis and study. Discussions/ interviews were held with Government officials, Cluster

Development Executives (CDE's), Nodal Officers of cluster programme, weavers, handloom workers ,Presidents and Secretaries of various co-operative societies-both Cluster member and non-Cluster member.

The research has chosen two main modes of presenting data, i.e., statistical and qualitative with the data collated from earlier reports and records as well as data from sample surveys. A schedule was formulated with the intention of getting some base level data on the cluster scheme implemented, facilities created utilizing the fund in the loom, work shed, training programme and exposure visits conducted, support services provided to the weavers, and so on.

The following tools are widely used in the study for the analysis of the data;

1. Per centage analysis
2. Accounting Ratios
3. Growth rates – both simple and compound

Compound Growth Rate - The formula used is

$$\text{CGR} = [n\sqrt{P_n/P_o}-1] \times 100$$

Where n = Number of years

P_n = Variable at the end of the period

P_o = Variable at the beginning

The researcher has also used independent sample t-test and Analysis of Variance (ANOVA) in a very limited way to analyse the pattern of fund utilization of different clusters.

1.9 Selection of the Study Area

Development Commissioner (Handlooms) Government of India in 2006-07 implemented 382 handloom clusters across the country. Out of the 382 clusters implemented across India, 24 cluster (6 per cent) are in Kerala.

First, the researcher collected the list of 24 handloom clusters implemented in the state from Directorate of Handlooms and Textiles , GoK. A pilot study was carried out at the beginning of the research, to a get a quick glimpse of the general functioning of the handloom clusters in Kerala. Major findings of the pilot study are;

1. 24 clusters are sanctioned under IHDS in Kerala
2. Clusters are implemented only in seven districts in Kerala
3. Only 20 clusters are working. Three clusters in Thiruvananthapuram and one cluster in Palakkad are not functioning. The main reason for non working of clusters is attributed to the lack of co-operation among its members. All the closed-down clusters are at an abandoned stage.
4. Highest number of handloom clusters and working clusters are in Thiruvananthapuram and Kannur. They are 11 and 8 respectively.
5. A study on cluster needs a group of clusters together, say at least 5 or more in one geographical area. This is to avoid wide variations in the sample characteristics.
6. Only two Districts have 5 or more clusters

District-wise list of Handloom co-operative societies in Kerala, its members, the number of clusters sanctioned and main products is given in the Table No.1.17

Table No.1.17 District-wise details of Handloom Co-operative societies in Kerala

Sl. No	District	Societies	Regd Members	No of clusters	Main Products
1	Kasaragod	8	1259	0	Sarees
2	Kannur	43	4432	5	Made-ups, Furnishing, Turkish towels, and Lungies Earezhathorthu
3	Wayanad	4	117	0	Furnishing, Jacquard products, Bedsheets, Table mats
4	Kozhikkode	31	5719	2	Furnishing, Jacquard products, Bedsheets, Table mats
5	Malappuram	10	717	0	Saree & lungies
6	Palakkad	29	3740	3	Dhotis, lungies
7	Thrissur	15	3114	1	'Koothampally saree' set mundu, Dhothies, lungies
8	Ernakulam	15	3498	1	Chennamangalam saree, double dhothies
9	Idukki	5	386	0	Sarees, lungies
10	Kottayam	10	1160	0	Earezhathorthu, panimundu & lungies
11	Alappuzha	9	546	0	Dhotis, sarees, lungies, & earezhathorthu
12	Pathanamthitta	3	378	0	Lungies and dhothies
13	Kollam	40	5537	1	Lungies & furnishing items
14	Thiruvananthapuram	247	26802	11	Grey sarees with kasavu, set-mundu and 'Mundum Nereyathum' Lungies, and furnishing items
	Total	469	57405	24	

Source: Compiled using data from Directorate of Handlooms & Textiles, GoK,

This means that 35 per cent of the total handloom workers and 29 per cent of the co-operative societies in Kerala are covered under these 24 clusters in Kerala. Out of these 24 clusters only 20 of them are working now. Table No.1.18 shows the details of the working clusters in Kerala.

Table No.1.18 District-wise details of working handloom clusters in Kerala

District	Cluster
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		No. of Clusters	No. of Handloom workers	No. of Societies
1	Thiruvananthapuram	08	2859	28
2	Kollam	01	364	16
3	Ernakulam	01	340	2
4	Thrisur	01	328	1
5	Palakkad	02	744	4
6	Kozhikode	02	740	19
7	Kannur	05	1952	23
	Total	20	7327	93
<i>Source : Field Visit</i>				

As can be noted from the table, only Thiruvananthapuram and Kannur have five or more handloom clusters. These two districts put together constitute 65 per cent of working clusters being implemented in Kerala. Therefore, to understand the working of the handloom clusters in Kerala, the handloom clusters in Thiruvananthapuram and Kannur Districts were taken for a detailed study for the following reasons;

1. Among the 14 districts in Kerala, the two Districts of Thiruvananthapuram and Kannur have the highest concentration of handloom co-operative Societies. Thiruvananthapuram tops with 247 handloom societies whereas Kannur has 43. A micro study on this larger population is expected to give better insights of the sector.
2. While maximum numbers of Handloom societies are registered in Trivandrum District, the highest export of handloom products are from Kannur District. Kannur was declared a town of Center of Export Excellence, by GoI in the year 2006.
3. The Integrated Handloom Cluster Development Programme has already been implemented in these two Districts.

4. Thiruvananthapuram and Kannur Districts produce a range of products from traditional Sarees and Thorth Mundu to furnishing materials. The handloom co-operative societies in other districts produce either of these products or a combination of them. Hence, these handloom clusters can be a true representation of the handloom clusters in the state.

It was thought that a study of the efficacy of the clusters in these two pockets of Kannur and Thiruvananthapuram would be useful in understanding the impact and efficacy of clusters in reviving the handloom sector in Kerala. Hence the researcher has taken the sample as a single unit for the study and analysed using 'Pre & Post Approach' and 'Before & After Approach'.

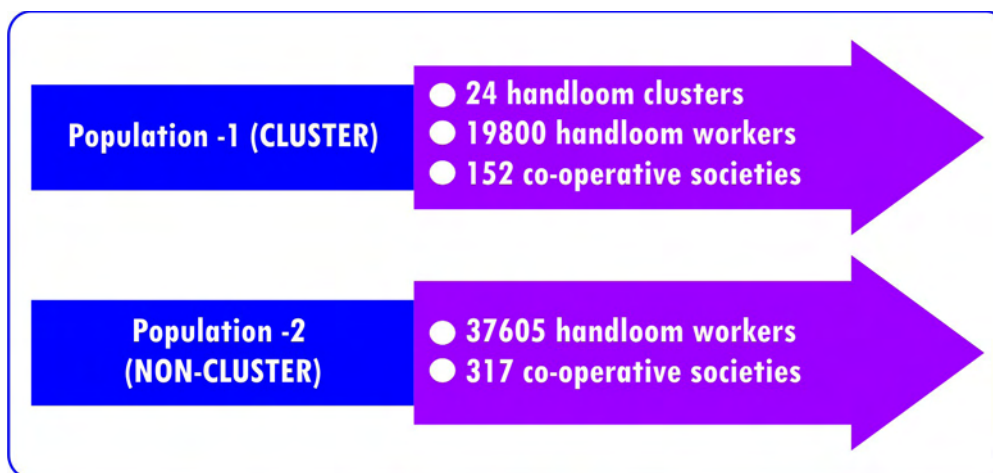
1.10 Sample Selection

As mentioned earlier, the State was sanctioned 24 clusters under IHDS-CDP, covering 19800 handloom workers in 152 handloom co-operative societies. This means that 35 per cent of the total handloom workers and 32 per cent of the co-operative societies are covered under these 24 clusters in Kerala.

At the same time, 37605 handloom workers and 317 societies, out of the total 57405 handloom workers and 469 handloom co-operative societies have not opted for cluster based approach.

Thus, there are two categories of population as given in Figure No. 1.3.

Figure No. 1.3 Types of Population



This necessitates the selection of sample from these two population of those who have “joined” and “not joined” the cluster.

1.10.1 Cluster Sample

1.10.1.1 Selection of the Sample Handloom Cluster Member Workers (CMW)

As per the guidelines of the IHDS, a cluster should have a minimum of 300 members. All the handloom clusters selected for the study have more than 300 members. From each cluster, 10 per cent weavers were taken at random as sample of CMW. Table No.1.19 shows the selection of the sample CMW;

Table No.1.19 Selection of Cluster Member Workers (CMW)

	Name of the Cluster	No of handloom workers in the cluster	Sample selected (CMW)
1	Kozhode	325	33
2	Ramapuram	310	31

3	Travancore	396	40
4	Ooruttambalam	498	50
5	Swadeshi	350	35
6	Naveena	320	32
7	Thettivila	300	30
8	Neyyattinkara	360	36
9	Payyannoor	363	36
10	Chirakkal	497	50
11	Morazha	325	33
12	Kalliassery	404	40
13	ICON	363	36
	Total	4811	481
	% sample(@ 10% of the total handloom workers in the cluster)		10%
<i>Source: Field Survey</i>			

Thus the 13 clusters selected contain 4811 handloom workers out of which 10 per cent of the total handloom cluster member workers (481) were selected as sample. Utmost care was given to include weavers, master weavers, designers, allied workers as sample handloom cluster member workers for the interview based on the questionnaire.

All the registered members in the society need not be members in the cluster and in most cases the number of cluster members are less than that of registered members. The total registered members in the case of cluster member societies from Thiruvananthapuram and Kannur districts come to 12083 but, the workers who joined the cluster is only 4811.

1.10.1.2 Selection of the Sample Handloom Cluster Member Societies (CMS)

As can be noted from the Table 1.18, there are 28 handloom co-operative societies in the 8 clusters in Thiruvananthapuram District and 23 societies in the 5 clusters in Kannur, ie a total number of 51 handloom co-operative societies in

the 13 clusters in these two districts put together. All the 51 co-operative societies were selected as sample for the study as sample CMS.

1.10.2 Non-Cluster Sample

Out of the 469 handloom co-operative societies in Kerala, only 152 handloom co-operative societies, covering 19800 handloom workers have got the opportunity to adopt or join the cluster approach. The remaining 317 societies with 37605 handloom workers have not joined cluster scheme or have not got the opportunity to join the scheme, due to one reason or the other. Hence, with a view to understanding whether the cluster method had made any significant impact on the performance of handloom societies and its workers who joined the cluster, it is necessary to study the performance of the workers and societies who have not joined the cluster.

1.10.2.1 Selection of the Non-Cluster Member Workers (N-CMW).

Total handloom workers in Kannur and Thiruvananthapuram, put together comes to 31234. From these two pockets, the number of workers who joined cluster is 4811 and those who have not joined is 26423. Out of this, 26423 Non-Cluster handloom Workers, a sample was set which would equal to the 20 per cent of sample selected for clusters members (20 per cent of 481). Thus 96 workers were selected at random as sample for N-CMW. This is 0.36 per cent of the total Non-Cluster Workers in these pockets.

1.10.2.2 Selection of the Non-Cluster Member Societies (N-CMS).

Out of the 317 societies which are not part of the cluster programme, 10 Societies were selected at random as sample for Non cluster Members Societies. This is 4.1 per cent of the total Non-Cluster Societies and is equal to 20 per cent of societies (51) under Sample Cluster Member Societies. Here five societies each

from Thiruvananthapuram and Kannur were selected at random to analyse the working of the cluster and compare under “with or without” approach.

The Total Sample selected for the study is given in Table No. 1.20.

Table No.1.20 Total Sample Selection

		Thiruvananthapuram & Kannur	Sample Selected	%
Cluster Sample	Clusters	13	13	100%
	Societies	51	51	100%
	Handloom workers	4811	481	10%
Non-Cluster Sample	Clusters	NA	NA	NA
	Societies	239	10	4.1% of the Non-Cluster Societies which is 20% sample selected for cluster
	Handloom workers (Total handloom workers in Kannur and Tvm-workers who joined cluster i.e. 31234-4811=26423)	26423	96	0.36% of the Non-Cluster Workers which is 20% of sample selected for cluster

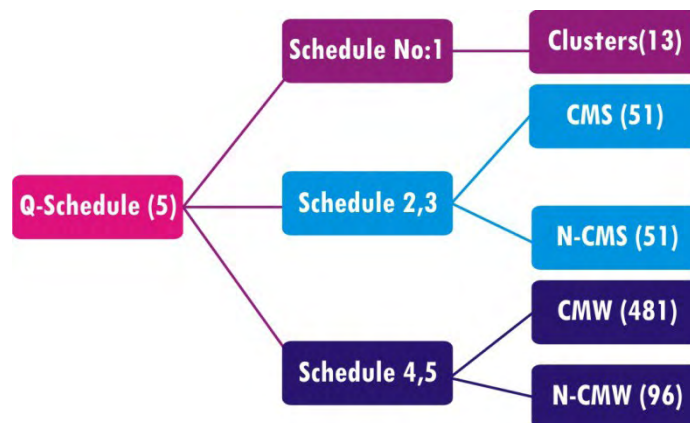
Though the research is based on total cluster population in the select pockets, viz Thiruvananthapuram and Kannur, two clusters in Thiruvananthapuram District viz Ramapuram Handloom Cluster and Naveena handloom Cluster did not co-operate with the study at all. Similarly one society each from Travancore cluster at Thiruvananthapuram and Chirakkal cluster at Kannur did not co-operate with the study.

1.11 Data Collection

The Study is based on both primary and secondary data. Primary data was collected from Cluster Development Executives of the handloom clusters and the secretaries of the Handloom Co-operative Societies and primary workers and Self Help Groups (SHG's) who are members in the cluster.

A Five structure schedule is used for data collection-the first for the 13 clusters, the second for the 51 Cluster Member Societies (CMS), the third for 10 Non-Cluster Member Societies (N-CMS), the fourth for the Cluster Member Workers (CMW) in CMS and the fifth for the 96 Non-Cluster Member Workers (N-CMW) in N-CMS. The details is shown in Figure 1.4

Figure No.1.4 Schedules of Survey



The following procedure was followed for collecting data;

- The addresses of the 24 clusters was collected from the Directorate of Handloom and Textiles, Vikas Bhavan, Thiruvananthapuram.
- The addresses of societies who are participating members of the clusters were collected from the clusters concerned.

- The addresses of the non-cluster member societies were collected from District Industries Centre, Thiruvananthapuram and Kannur.
- The data from the weavers were collected with the help of the co-operative societies concerned.

A structured interview schedule for the five categories was prepared after consulting two experts on cluster. The schedules were finalized after pilot study. Since most of the workers in the cottage type societies operate from home, the researcher had to go to their residence and collect information. The secretaries of the societies facilitated the survey of primary weavers, by introducing the researcher and the purpose of visit to the weavers. In a few exceptional cases, the secretary had convened meetings to facilitate my interviews. In the factory type, most of the workers were interviewed in the factory itself. Before asking question, rapport was established with the respondents and the purpose of the interview was clearly explained to them. Then the researcher asked them questions in the local language and marked the information in the schedules. The data so collected was cross checked on the basis of discussion with the concerned secretaries who keep close contact with the workers and also cross checking with Attendance register, ledger etc, wherever possible. Participatory observation was also adopted in some cases.

1.12 Secondary Data Sources

Cluster necessitates active interaction among the stakeholders, consisting of weavers, co-operative societies, its members, and representatives, supporting institutions like government departments etc. Most of the data on the cluster are scattered with different agencies and institutions of the State and Central

Government. Some of the important secondary data sources researcher made use of are given below:

1) Directorate of Handloom and Textiles, GoK, Thiruvananthapuram, 2) District Industries Centre, Thiruvananthapuram & Kannur, (3) Institute of Handloom Textile Technology(IHTT), Kannur, (4) Weavers Service Centre, Kannur, (5) HANVEEV, Kannur, & Thiruvananthapuram (6) Kerala Handloom Weavers Welfare Fund Board, Thiruvananthapuram, (7) HANTEX, Thiruvananthapuram, (8) Kerala Handloom Export Organisation, Kannur, (9) Kerala State Textile Corporation, Thiruvananthapuram, (10) Hantex Process House, Thiruvananthapuram, (11) Textiles Committee, Kannur, (12) Textile Project Development Centre (TPDC), Balaramapuram, (13) National Handloom Development Corporation, Kannur,

1.13 Period of Study

The Government of Kerala introduced the concept of cluster in 2003 and the handloom industry started adopting the concept in 2006. The GoI scheme of IHDS was introduced across India in 2007. The handloom clusters in Kerala under the Scheme got approved in 2008 and started implementation by disbursing fund in 2009 - to be completed over a period of three years, by 2011. Hence the period of study is 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.

1.14 Limitations of the Study

1. UNIDO has formulated methodologies for analysing the efficacy of cluster-based approach for industrial development, universally. The researcher was unable to find out published research data on localised tools. Hence the structural components and the factors developed by Seyed V. M. Hosseini, and M. R. Ghanbari (2011) to understand the performance and efficacy of clusters based on UNIDO methodologies were used in the study.
2. Two clusters from Thiruvananthapuram did not provide primary data required for the study and hence they were not included in the analysis. However, the researcher sourced the secondary data on these clusters from Handloom Directorate, the implementing agency for the programme.
3. In Kerala, handloom clusters are implemented under four schemes. Under the scheme IHDS-CDP, 24 clusters are implemented. The number of clusters under these schemes are very few. Hence only the IHDS-CDP is taken for a detailed study.

1.15 Plan of the Thesis

The thesis has been prepared in the following manner :

Chapter I tries to give an introduction to the research by giving a quick overview of the industrial scenario of the State, role of MSME and traditional industries, and the policy framework in India for the promotion of the MSME. It also gives an overview of the evolution of clusters, its theoretical framework and broad outline of clusters being implemented across the sectors. This chapter also states the Research Problem, Objectives and Design to give an idea about the framework of the study.

Chapter 1

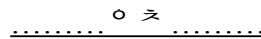
Chapter II gives a glimpse of the review of related literature.

Chapter III depicts an overview of the Handloom Industry in Kerala unfolding the Strengths and Operational Weaknesses of the sector.

Chapter IV gives an overview of the Clusters scheme and a brief profile of the study area and the select handloom clusters in Thiruvananthapuram and Kannur in its operational aspects.

Chapter V analyses the institutional and enterprise aspects of the performance of the handloom clusters in Kerala.

Chapter VI deals with the findings of the analysis, suggestions which emanated from the study and conclusion.



Chapter 2
REVIEW OF LITERATURE

The Review of literature covers the following four distinct areas:

1. Small firms- covers how small firms' came into prominence across the globe and the academic works on industrial clusters.
2. Small scale Industries in India - focuses on the emergence of academic interest on small scale industries in India
3. Clusters in India - gives a quick glimpse of the works done on Indian clusters in general and handloom clusters in particular
4. Handloom Industries and Handloom clusters in Kerala.

2.1 Small Firms

The literature on small firms is wide ranging. Some consider these firms as aberrations in the development process, while others acknowledge their potential to play key role in peripheral development. (Schmitz, 1995). It is only with the identification of the 'informal' sector and its role in redressing the growth-led inequalities by Sethuraman (1976) that small firms came to be an important object of study in low income economies. It was found that this sector, comprising primarily of small firms, contributed not only to production of consumer goods for the low income segment while generating employment, but also produced certain items within the capital goods sector. The Studies found that these firms, operated with out-dated technologies and beyond the realm of formal legislation, derived their advantage essentially from their ability to exploit labour better.

This framework has been used fruitfully to understand the character of urban economies in the peripheral region. The characterization of the urban peripheral economy has been broadly in terms of a hegemonic, modern capitalist sector that subordinates other segments to its own logic, either through surplus extraction or by a relative lack of access to resources. Harris (1982) and Harris, Kannan and Rodger (1990) on small scale production and urban markets in Coimbatore, Berman on small urban economy of Gujarat (1976) and Boss on the informal economy in Calcutta (1974) are important studies in this regard. Apart from these works, investigations of specific manufacturing sectors operating in the informal realm too have been carried out. In the Indian context, Studies by Isaac (1984) Kalpagam (1981) Singh (1990) stand out. All these studies stress the need for capital to perpetuate 'informal' conditions to sustain accumulation.

On the other hand, there has been a stream of thought inspired by Schumpeter's perspective that place small firms at the centre of innovation activity in all economy, especially in the advanced capitalist economies. Small firms, it is argued, face fewer constraints in certain areas compared to the big firms, which gives them an edge in their ability to adapt to new market conditions. (Malecki 1997). Burdened less by rigidity and path dependence, small firms can adopt new process or enter into product lines more easily. This view has specially gained currency with recent changes in product market conditions that require firms to adapt their production capabilities rapidly to changes in output markets. The rise of flexible manufacturing technologies in tandem with the greater emphasis on scope rather than scale economies has strengthened the case for such 'flexibly specialised' small firms. Important small firms networking with each other are seen as both benefitting from the

adaptability acquired from being 'small' as well as overcoming their inability to acquire resources when they operate as independent units.

The recognition of a dynamic role of small firms and the study of clusters of firms rather than the single firm dates to the early 1980's following the studies on Third Italy¹, undertaken in the late 1970's by Bagnasco (Holmstrom, 1999) After Piore and Sabel (1984) pointed to the changing product market characteristics and the importance of flexibility to organization, studies on inter-firm networks as an organizational form gained currency in Europe. Brusco (1990) and Beccatini (1991) on Italian Clusters, Best (1990) and Sengenberger and Pyke (1991) on other European regions like Germany are among the first work of this kind.

During the same time, scholars like Scoll, (1992), Paderson, Sverisson and Dijk, (1994) Saxenian (1994) analysed the characteristics of individual clusters in the peripheral regions. Many clusters were found to be stagnant and many unlike those observed in the core capitalist region leading to the formation of the 'low road' hypothesis. Nadvi and Schmitz (1998) provide an excellent review of studies on cluster in peripheral regions and identify important gaps to be pursued. Despite the widely held view that clusters can play an important role in fostering incipient industrial development, especially in poor regions (Schmitz and Nadvi, 1999), little is known of the impact that clusters have on reducing poverty. The very presence of a cluster changes the context in which the poor live, by enhancing the ability of individual cluster actors, be they workers or producers, to potentially improve their well-being.

¹ The prosperous firm structures experienced in the Northeast and Centre of Italy is called Third Italy, and the stagnating situation in the poor South is called the 'second Italy' and the recession in the traditionally rich and early industrialized NorthWest is called 'first Italy'.

Clusters allow local small producers to make more effective use of underutilized resources, such as small scale savings or family labour, generating incomes that they could not avail by operating in isolation. This is because the process of clustering engenders various benefits. This includes agglomeration gains to clustered firms, such as externalities in the markets for labour, inputs, know-how and information, economies of scale and scope as individual firms take on specialized tasks through a division of labour. In resource poor regions, or at early stages of industrial development, this can be especially significant, promoting specialization by way of "small steps" (Schmitz and Nadvi, 1999).

2.2 Small Scale Industries in India.

After independence, the government of India adopted a planned approach to industrialisation of the country. A series of Industrial Policy Resolutions clearly indicating the cherished pattern of industrialisation, the role of small, medium and large industries and the role of public and private sector, were brought out by the Government. The successive Five year Plans also came out with various programmes for industrialisation. Numerous controls and regulations were clamped on big industries from time to time. The overall objective was to promote employment and reduce regional disparities, promote exports, self reliance, and reduction of concentration and control of monopoly. Interestingly, academic interest also focused on examining the industrial progress, its structure, efficiency and the role of small and cottage industries.

The question of industrial efficiency and spatial concentration of industrial activity was the theme of many studies. Mehta's (Mehta, 1961) study on size, location and integration in Indian Industries covered the period prior to independence. By making a reference to various definitions and the conceptual problems, he examines the question of efficiency in major industries based on

size-cost relationship, profitability etc. The study revealed that large units are more efficient. On location, the study concluded that there is a gradual movement of productive activity to centres of regions commanding most favorable transport relation in regard to distribution of various productive factors. A more theoretical study on clustering of industrial activity was that of Alagh's (1972). The regional aspects of Indian Industrialisation was examined by adopting industrial base techniques. Based on the existing technological information on industrial inter-relation, he defined the blocks of industries and using the existing most disaggregated industrial level data by region, industrial base of each region was estimated. The study revealed that regional clustering is associated with agglomeration economies and, therefore, emphasised the need for detailed inter-industry, interregional analysis to determine the efficient investment paths in terms of inter industry and inter regional allocation of resources. As for regional analysis, the case of Andhra Pradesh was examined by Sharma (1982). According to the Study, backward areas although showed some progress, no significant reduction in regional inequalities was revealed by planned development as backward areas are still bedeviled with problems of inequalities. The book also discusses the role and problems of small scale industries in Andhra Pradesh. Similarly, Kaur (1983) examined the case of Haryana.

Other studies like that by Dhar and Lyndall (1961), and Sandesara (1981;1988) represent attempts at an understanding of the technological condition of small firms and the impact of Government policies on this sector. Tyabji (1989) explores the context of changing nature of Government Policy formulation with regard to Indian Small Scale Sector.

Similarly, Charles (1975) argued that efficiency has to be measured by the concept of social efficiency in terms of employment, use of non-renewable energy and pollution, rather than by private market efficiency and if such social costs are considered, cottage industries are no less efficient. However, methodical studies examining these issues and their implications are scarce. Whatever may be the case, since Independence, India has adopted a policy in favor of small and cottage industries. To a large extent, it was thrust upon the economy by resource endowment, surplus labor and very little capital. A number of studies also examined the economics of small industries, their problems and role.

The problem and prospects of small industry in India was examined by National Council for Applied Economic Research (NCAER,1970). According to this study, although small industries are faced with problems of raw material, finance etc, if nurtured properly, they can contribute more efficiently to country's product and foreign exchange earnings. Further the study pointed out that being faced with multiple problems, most of the small units are unable to utilise existing capacity. This also results in lower efficiency and if these problems are taken care of, many of these may be able to contribute efficiently to the economy.

A brief study of small industries of Coimbatore by Harris (1982) revealed economic subordination and exploitation of small units by large units at varying degrees through sub contract. Further according to him, the policy of promotion of small industries has not made any dent on the concentration of economic power, as they largely serve the interest of big capital.

2.3 Clusters in India

In India, a number of studies on various clusters have been carried out. The Agra Footwear Cluster (Knorringa 1996), diesel engine manufacturing in Rajkot (Basant 1997), brass metal parts in Jamnagar and brass ware in Moradabad (Awathi 1997 and Akbar 1997 respaly), the diamond polishing cluster in Surat (Kashyap and Tiwari 1986), Engineering and electronics cluster in Bangalore (Holmstorm 1998) textile printing cluster in Jodhpur (Du Pont 1995) the diamond cutting cluster in Trichur (Joseph 1995), the bicycle industry and woolen knitwear cluster of Ludhiana (Kattuman 1998) Tewari 1999 respaly) garment cluster in Ahmedabad and Delhi (Das 1996b, Alam 1994 respaly) floor tile cluster in Gujarat (Das 1996 a), leather tanning in Palar Valley (Kennedy 1999) pump manufacturing cluster in Coimbatore (Pillai 2000) and cotton knitwear cluster in Tirupur (Cawthron 1993; 1995, Swaminathan and Jayarajan 1994; 1997;1999) are some of the major works in the Indian context. Changes in the lines of enquiry of their writings can be discerned. These studies mainly examined the role of historical factors in influencing the pattern of industrial formation. (Tiwari,1998, Kamuman 1998) Soon the academic interest was shifted to understanding the factors constraining the cluster units from moving on to the high road. Here the role of socio-economic ties, government policies and other specificities like inter-firm networks are analysed to understand possible constraints to them by dynamism. However, very few clusters are found to exhibit the kind of dynamism anticipated among policy makers. The cotton knitwear cluster in Tirupur is considered to be one of these select few that do. The investigation of the Tirupur knitwear cluster shows that a demand-led growth does not necessarily result in a development on a high road to growth, a path supposing innovation and increased productivity (Pyke et al., 1990). The effectiveness of ‘collective efficiency’, the competitive advantage

resulting from the combination of the externalities linked to proximity and joint action (Schmitz, 1999), is then discussed in the light of the experiences of an Uttar Pradesh saddlery cluster and Tamil Nadu leather clusters. Surajit Sengupta et. al (2008) who made a study on the “development of handloom for jute based diversified fabrics modifying traditional cotton handloom” speaks about the scope of diversified products such as decorative, upholstery, furnishing and even outer part of the apparel, from jute and jute based yarns. Arup Mukherjee & Ashis Mitra (2007) in their paper “On-loom finishing of handloom products-an innovative and indigenous approach” made a scientific study on the scope of product diversification/ product innovation in handloom. They made an innovative and indigenous approach on trial basis for on-loom application of finish on handloom, and it has been proved that this indigenous approach is both technically and economically feasible for not only piece goods but also for bulk application, provided some other accessories like cottage level finishing chamber/steamer, sealing fan, drier etc can be arranged.. Ashis Mitra et.al (2009) in “ a diagnostic report on cluster development programme of Shantipur handloom cluster, Nadia, West Bengal” studies the cluster development programme of Shantipur handloom cluster to formulate a sustainable business plan as well as marketing plan to assist this cluster to compete in the ever challenging textile business. It also describes the evolution/historical background of the cluster, its geographical location, existing cluster structure and infrastructure analysis to facilitate formulation of a sustainable business-cum marketing plan..Not many studies have exclusively been found devoted to examine the economics of Handloom clusters in India

2.4 Handloom Industry and Handloom Clusters in Kerala

There are umpteen number of studies on the problem and prospects of handloom industry in Kerala. While examining the question of implementation of minimum wages for handloom weavers in Kerala, the Committee of Government of Kerala (1960) documented the problem of weavers. Oomen (1972) in his study of small industries in Kerala has compared handloom with powerloom. According to this study, surplus generation although is high in handloom compared to powerloom, re-investible surplus turned out to be considerably low due to high propensity to consume. However he holds the view that as there is considerable underutilization in powerlooms, if given a proper deal, chances of generating surplus is more. Mohanan (1977) discussed the issues of widespread unemployment among weavers of Cannanore and identified the related problems as lack of innovation, the role of intermediaries, unplanned protection and the failure of Government in building a firm base for the industry. To Nedungadi (1977) lack of internal demand appears as more important and to him unless internal demand is created there can be no durable solution to the problem of handloom industry. Narayanan (1982) and Ramunny (1983) emphasized the problems of raw material, its price, lack of research and development, the futility of the rebate system, lack of contacts with overseas markets, wage policy, quota policy and competition from powerlooms.

The State Planning Board, Kerala (1983) reviewed the progress of export promotion projects and intensive handloom development projects. The study pointed to the slow pace of progress of the programme and persistence of acute problem of unemployment even among weavers covered by the programmes. The inefficiency of the implementing agency, the Kerala Handloom Development Corporation, was also focused by the Study. Krishnan

(1985) made a detailed examination on the review of organization, status, investment, productivity, return and marketing of products of Handlooms in Cannanore district. The study pointed out that the industry as elsewhere is unorganised, its capital structure is highly lop-sided, production methods are antiquated and traditional and labour is not formally trained. The technology of production is age old with no attempt to upgrade. Entrepreneurship is lacking and only the middlemen in the handloom gets the best out of the game. Labor is exploited and quality is compromised. The study calls for a totally different strategy and programmes to resuscitate the otherwise collapsing industry. There may not be much justification, on purely economic grounds, to encourage them. But social and economic reasons compel a helping hand to the households engaged in the handloom craft. In a Study of “Traditional Handloom Industry of Kerala” KKN Kurup, (2007), made an attempt to describe the evolution of traditional handloom industry in Kerala from “pit loom” traditional technology to the modern “flying shuttle” from its infancy to the present day factory system. It also describes in detail how the present day capitalist mode of production alienated the craftsmen and converted them into wage labourers

Martin (2012) discussed the issues of large scale exiting of weaving job by weavers for more lucrative jobs. The weavers are exiting their traditional jobs in hordes because they cannot earn more than wage of Rs.150 daily whereas other jobs offer upto Rs.700 a day for skilled worker.

There are umpteen number of studies on the problem and prospects of handloom industry in Kerala. Studies by Oomen (1972) Mohanan K.P(1977) Ramachandran (1978) Narayanan (1982) Ramunny Murkoth (1983) K.K.N. Kurup, (2007) and a series of newspaper articles depict the sorrow state of affairs of the sector.

No studies have been so far reported to have been made on the handloom clusters in Kerala, except certain action taken report by the implementing agencies. There is acute dearth a literature in this area. Hence a detailed study based on field work and primary data is highly essential for understanding the success of cluster in reviving the small firms, especially in handloom sector.

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HANDLOOM INDUSTRY IN KERALA- AN OVERVIEW

The Indian Textile Industry occupies a unique place in the economy of the country by virtue of its contribution to the industrial output, employment generation and foreign exchange earnings. India is the second largest producer of textiles and garments after China. It is also the second largest producer of cotton in the world. One of the earliest to come into existence in India, the textile industry is the second largest employment provider in India after agriculture. The textile industry provides employment to nearly 108.73 lakh people and currently accounts for 8 per cent of the G.D.P., 20 per cent of the industrial production and 35 per cent of the export earnings. (Ministry of Textiles, Office of the Textile Commissioner, Mumbai, 2011)

The FICCI white paper on 'Challenges in Textile and Apparel Industry', February 2012 highlights the following

- 1 The domestic textile and apparel market in India is worth Rs.5800.crores and has the potential to grow at a CAGR of 9 per cent, to reach Rs. 14100 crores by 2021.
- 2 India's textile and apparel exports were at Rs.3100 crores in 2011 and are growing at an annual rate of 10 per cent since 2005.
- 3 Apparel exports contribute the most to the overall exports in terms of value, followed by contributions from fibre, yarn and fabrics. India's share of the world's textile and apparel exports stands at 4.5 per cent.
- 4 It is estimated that due to the increasing shift of textile and apparel production to Asian nations and the deteriorating export-

competitiveness of China, this figure will grow to 8 per cent by 2020, with a total exports value of Rs. 8200 crores.

- 5 This growth, from 4.5 per cent to 8 per cent of world trade, will open up huge potential for Indian players.
- 6 Investment in weaving and processing segments is required to strengthen value chain and bankers commitment level should increase to serve the clients in the sector.
- 7 Rising raw material cost and increase in volatility in raw material prices, labor unrest, poor work environment and supply chain problem (lead time) are few challenges which needs to be addressed immediately.

(The FICCI white paper on 'Challenges in Textile and Apparel Industry', February 2012)

The size of the Indian Textile Industry is given in Table No.3.1

Table No. 3.1 The Size of the Indian Textile Industry -2010

Particulars	Rs. crores		
	Domestic Sales	Export Sales	Total
Apparel	3600.00	1100.00	4700.00
Home Textiles	400.00	300.00	700.00
Textiles	1200.00	1100.00	2300.00
Total	5200.00	2500.00	7700.00

Source: Ministry of Textiles, GoI

3.1 Challenges in the Post-Multi- Fibre Agreements (MFA) Period

The barriers and quantitative restrictions of Multi-Fibre Agreement (MFA) in the import and export of textile items by third world countries were completely removed in January 2005. Since then, countries can export and import textile products, without restrictions. As a result of this, the Indian

textile market has to compete with textile products of superior quality at lower price, produced by technologically advanced countries.

At the same time the Indian Textile Industry is now passing through unprecedented crisis caused by haphazard structure of establishment, excess spinning and weaving capacities, use of obsolete plant and machinery, outdated technology for production, sub-standard quality of inputs, high cost of production, very low machine and labour productivities, outdated labour laws, low earnings of workers, etc. The Industry is therefore, becoming uncompetitive and incapable of facing the challenges of globalisation and WTO regime. At the same time, several third world countries have made much headway and achieved appreciable progress in restructuring the textile industry by timely implementation of appropriate technology upgradation and modernisation programmes. This has enabled several developing countries to make the textile products globally competitive both in quality and price. To survive, Indian textile industry has to be competitive in both domestic and global market. Government policies have largely been favorable to the textile industry. The policies aim to ensure that the industry is internationally competitive in terms of manufacturing and exports. Besides various schemes, there are various other statutes, including fiscal policies, (governing customs, excise, sales tax etc) rules, initiatives, incentives, etc through which government extends support to the industry. To be competitive the best quality superior product has to be produced at a lesser cost. Realising this, the Government of India has launched innovative schemes such as

- Technology Fund Upgradation Scheme (TUFS).
- Scheme for integrated Textile Parks (SITP).

- Group Work-shed Scheme (GWS).
- Group Insurance Scheme for development of Powerloom sector.
- Integrated Scheme for Powerloom Cluster Development.
- Marketing Development Programme for Powerloom Sector etc
- Integrated Handloom Development Scheme –Cluster Development Programme (IHDS-CDP)

3.2 Handloom Industry in India:

India is perhaps the only country in the world which makes handloom products on a commercial basis. It is also the largest employment provider under textile sector. The employment in textile industry is given in Table No.3.2.

Table No.3.2 Employment in Textile Industry-2010
(Figures in lakhs)

SL. No.	Item	Handloom Industry			Power loom Industry(B)	Total (A+B)
		Full-time	Part-time	Total (A)		
1.	Weaving	22.43	21.33	43.76	43.40	87.16
2.	Preparatory work	10.95	10.62	21.57	-	21.57
Total		33.38	31.95	65.33	43.40	108.73

Source: Ministry of Textiles, GoI

Table 3.2 reveals that the handloom industry provides employment opportunity to 65.33 lakh persons, constituting 40 per cent of the total employment in this sector. This indicates the relevance of handloom in generating employment especially among the rural poor. The “Swadeshi” movement, successfully practiced and propagated by the Father of our Nation during our freedom struggle in the early 20th Century, has created a deep rooted culture of wearing handloom cloth, which exists even today. Even though the recently adopted globalisation movement has brought in many “Videshi”

(foreign) products, the handloom industry still plays a very important role in the socio-economic life of the nation, as is evident from the data on production of handloom cloth in India. Table No.3.3 gives the total cloth production and contribution of handloom for the last two decades.

Table No. 3.3 Sector-wise Production of Cloth (Million Sq.mtr)

Sector	Khadi, Wool & Silk		Mill		Handloom		Hosiery		Powerloom		Total
	Qty	total% to	Qty	total% to	Qty	total% to	Qty	total% to	Qty	total% to	
1995-96	49	1.5	20	6.32	720	22.5	503	15.7	172	53.8	319
2000-01	8	1.3	16	4.15	750	18.6	669	16.6	238	59.1	402
2005-06	8	0.9	70	3.34	6	6	6	4	03	6	33
2010-11 (P)	76	1.5	16	3.34	610	12.3	104	21.0	306	61.7	495
	9	0.5	56	3.52	8	2	18	1	26	7	77
	79	1.2	22	3.52	690	11.0	146	23.3	380	60.7	625
	8	0.8	05		7	4	34	9	15	7	59

Source: Compiled by using the data collected from the Ministry of Textiles, Govt Of India

It may be noted from the above table that the share of handloom sector to the total cloth production in the country has been 22 per cent in 1995-96. This has declined over the years and reached 11.04 per cent in the year 2010-11 ie a reduction of 50 per cent in a span of just 15 years. The major reason for the decline has been the unprecedented growth of powerloom and hosiery sectors over these years. While the share of powerloom in 1995-95 has increased from 53 per cent to 60 per cent in 2010-11, share of hosiery sectors increased from 15 per cent in 1995-95 to 23 per cent in 2010-11. Nevertheless, the rate of decline of handloom production is coming down over the years and the decline is at a decreasing rate (4,6 and 1.38 per cent respectively 2000-01, 2005-06 and 2010-

11), indicating that the rate of decline of handloom production has been substantially reduced or checked by 2011.

3.3 Handloom Industry in Kerala

The handloom sector has a very discernible presence in Kerala. Communities of weavers concentrated in certain centres in the state have propelled the development of this sector in the state. There are several legends behind the development of handloom industry in Kerala. It is believed that about 350 years ago, the Raja of Travancore brought six families of weavers from Devagiri and settled them at Kottar near Nagarkoil. In the later part of the 19th century, His Highness Visakhom Tirunal Maharaja of Travancore brought weaver families from Tirunelveli and settled them at Neyyattinkara and Balaramapuram near Thiruvananthapuram.

As regards the development of the industry at Kannur, it is believed that the Chirakkal Rajas of Kannur brought weaver families from the traditional weaving communities of Saliya from other regions and settled them in colonies. However it was Basel Mission which institutionalised the weaving activities in a planned manner. Legend exists that though Basel Mission commenced its activities in India in 1834 at Mangalore, weaving was taken up only in 1844. Weaving establishments in early days were attached to the Mission House itself. In 1844 they set up Common Wealth Trust India Ltd, at Calicut, the first unit in Kerala to be run under factory system. Later establishments were started at Kannur (1852) and by 1913, both these establishments had huge complexes with over 600 workers each. It was Basel Missionaries who introduced frame looms in Kannur.

Today, the Handloom Industry in the state is mainly concentrated in Thiruvananthapuram and Kannur Districts and in some parts of Kozhikode, Palakkad, Thrissur, Ernakulam, Kollam and Kasargod Districts.

Chendamangalam in Ernakulam and Kuthampully in Thrissur are the most well known centres of handloom industry in Kerala, apart from Balaramapuram and Kannur. All these centres are famous for their own speciality products.

3.3.1 Handloom Societies, Looms & Workers

The Handloom Industry is dominated by the Co-operative sector covering 94% of total looms. The remaining six per cent of Handlooms units is owned by Industrial entrepreneurs. The Co-operative sector consists of factory type and cottage type societies. There were 591 registered Primary Handloom Weavers Co-operative Societies in the State on March, 2012 of which 166 are factory type and 425 are Cottage type societies. (Economic Review, GoK, 2012).

Table No.3.4 shows the trend in the number of handloom co-operative societies in Kerala.

Table No.3.4 Trend in the number of handloom co-operative societies in Kerala

Sl. No	Item	2007-08	2008-09	2009-10	2010-11	2011-12
a	Factory Type					
1	Working	109	109	110	108	108
2	Dormant	47	48	40	41	39
3	Under Liquidation	17	17	15	16	17
4	Not Started Working	2	2	2	2	2
	Total (a)	175	176	167	167	166
b	Cottage Type					
1	Working	263	260	260	260	259
2	Dormant	111	112	117	117	113
3	Under Liquidation	40	40	41	41	43
4	Not Started Working	11	11	11	11	10
	Total (b)	425	423	429	429	425
	Grand Total	600	599	596	596	591

	(a+b)					
<i>Source: Economic Review 2012, Government of Kerala</i>						

The Handloom sector in Kerala stands second only to the coir sector in providing employment among the traditional industries of the state. A survey report on the handloom sector published by the Department of Economics and Statistics, GoK revealed that there are 469 co-operative societies in the state with 57405 active handloom workers as shown in Table No.3.5

Table No.3.5 Number of Handloom Co-operative societies and its Members

Sl. No	District	No of Societies	No of Members	No of Looms
1	Kasaragod	8	1259	123
2	Kannur	43	4432	1403
3	Wayanad	4	117	0
4	Kozhikkode	31	5719	964
5	Malappuram	10	717	134
6	Palakkad	29	3740	1577
7	Thrissur	15	3114	1298
8	Ernakulam	15	3498	919
9	Idukki	5	386	0
10	Kottayam	10	1160	180
11	Alappuzha	9	546	148
12	Pathanamthitta	3	378	4
13	Kollam	40	5537	914
14	Thiruvananthapuram	247	26802	9815
Total		469	57405	17479
<i>Source: Report on Survey of Handloom Sector in Kerala (2009), Department of Economics and Statistics, GoK</i>				

When one considers the number of societies, Pathanamthitta is at the bottom with 3 societies followed by Wayanad with 4 societies. The highest number of societies are noticed in Thiruvananthapuram district followed by Kannur with 247 and 43 members respectively.

About 47.25% of the total membership of the societies in Kerala is contributed by Thiruvananthapuram district. The district has 26802 members in the societies. Wayanad is at the bottom with 117 members followed by Idukki with 388 members. Out of 57405 members who are active in the industry, only 35896 members are doing weaving or weaving related works as on 31.03.2012.

There are 17479 looms in this industry. Thiruvananthapuram district tops the list with 9815 looms followed by Palakkad with 1577 looms. The least number of looms are in Pathanamthitta, only 4 nos. (Department of Economics and Statistics, GoK)

3.3.2 Production of Cloth

The production of handloom cloth in Kerala is on the decline. The cloth production which was 68.88 million metres in 2001-02 has come down to just 23.95 million meters in 2009-10. However, of late, there is a slight increase in the overall production of handloom cloth by Handloom Industry of Kerala. The total production of handloom cloth shows an increase of about 5 per cent from 26.68 million metres in 2010-11 to 27.89 million metres in 2011-12. The total value of production has increased by 6 per cent from Rs. 190.96 crore to Rs. 202.14 crore during the period. (Economic Review 2012)

Table No. 3.6 shows the production and sales details of handloom cloths from the State.

Table No.3.6 Production and Sales of Handloom cloths

	Production of Handloom cloths (in Million Metres)	Sales in Rs.crores
2004-05	62.30	280.35
2005-06	62.30	280.72
2006-07	62.48	281.20

2007-08	70.88	318.96
2008-09	20.20	146.38
2009-10	23.95	165.33
2010-11	26.68	190.96
2011-12	27.89	202.14

Directorate of Handloom, GoK

3.3.3 Products and the Main Centres of Production

The major varieties produced in the handloom sector of the State are dhothis, furnishing material, bed sheets, grey saree and lungi. Details show that the production of these items contribute 67 per cent of the total. About 77.62 per cent of the major items are produced in the southern region followed by the North (12.81%) and Central (5.33%) regions. Of the total production, 95.76 per cent are contributed by the co-operative sector and the balance of 4.24 per cent is by the units in the entrepreneurial sector. (Economic Review, Kerala State Planning Board, GoK 2011)

3.3.4 Raw Material Sources

The handloom industry in Kerala predominantly uses cotton (yarn) as raw material. A few combinations of fibres like cotton and viscose or polyester and viscose are also used. Yarn is procured mostly in the hank form. Some of co-operative societies also procure yarns in the form of readymade warps from Tamilnadu. Yarn is procured from Hantex, Hanveev, National Handloom Development Corporation (NHDC) or directly from the mill sector.

3.3.5 Technology and Handloom Production process

There are several stages involved in the process of production of handloom cloth starting from the stage of purchase of yarn. They are dyeing, twisting, winding, warping, sizing, piecing and the warp with the loom for weaving.

Yarn is usually purchased either from the local market or from the co-operative societies. If the yarn is undyed, it has to be processed before it forms the warp and weft. The next work involves twisting, rewinding and warping of the yarn. Rewinding of weft yarns or “picks” is done by women workers with the help of charka & swift wheels. After rewinding, the yarn has to be warped. The warp yarn is usually wrapped on a round wooden frame. The process of loosening, twisting, rewinding and warping are usually done by the family members in the co-operative societies. Dressing and sizing are usually done at the time of dyeing and repeated after warping. After sizing, the warp yarn is starched, spread and dried in sun. For this purpose, cross –wise bamboo rods are used. After these processes, the warp is removed from one end of the bamboo and is wound on a hank till it reaches the other end. The warp is then ready for the next process of piecing. Piecing refers to joining of the thread ends of the old warp with the thread ends of the new warp. Each loom contains one reed and one set of healds. The reed has dents (“teeth”) and the number of dents per inch determines the fineness of the cloth. After piecing, warp yarn is divided by many segments and is fixed into the loom. One end of it is fixed to the cloth beam and the other end to warp beam. The ordinary check and stripe designs are prepared by the segmentation of warp and weft yarn. In the case of figured patterns (eg. Flowers), Dobby or Jacquard is used, depending on the size of the pattern.

The production process in Kerala handloom sector is shown in Figure Nos.3.1 and 3.2 respectively.

Figure No. 3.1 Production process in handloom sector

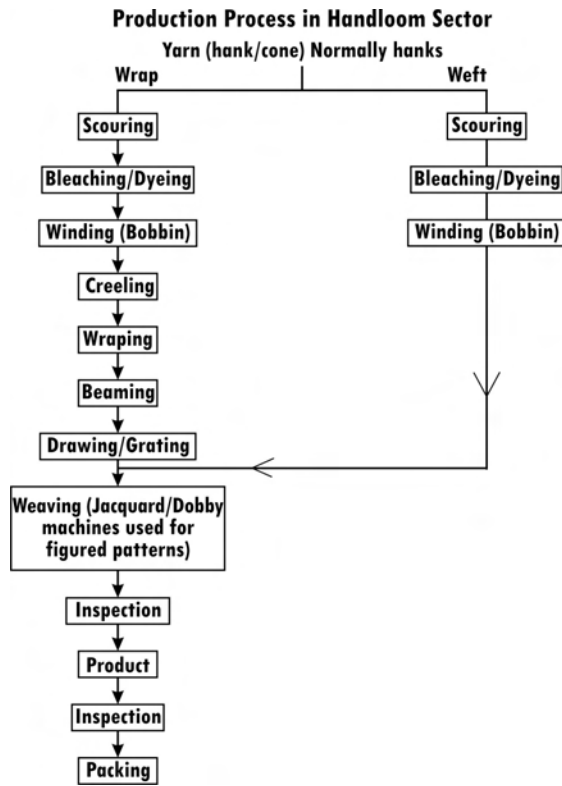


Figure No.3.2 Photographs of Production process in handloom sector

		
Raw Yarn	Washing, Scouring/ Bleaching, Colouring & Dyeing	Bobbin Winding (Tharuchuttu)
		
Wound Bobbins	Creeling	Creeling Process

Handloom Industry in Kerala-An Overview

		
Pre-Warping Process	Warping	Beaming
		
Beaming in progress	Gaiting(Drawing)	Gaiting(Piecing)
		
Product Inspection		Final Product

The handloom production process, as mentioned above is labour intensive. However, there are certain areas in the production chain, where technological interventions are possible to improve efficiency and to optimise resources. The efforts in technology development in handloom sector have been oriented towards improving machine and labour productivity without sacrificing traditional labour involvement. This is necessary to sustain the employment generating potential of this industry

For winding, Cycle wheel charka and winding machine have been recommended to wind long and continuous lengths of yarn on bobbins and pirns. Introduction of Drum Warping and sectional warping machines has been

recommended to improve productivity in warping operations against the conventional street warping procedure. Attachment of beaming mechanism and measuring and full beam stop motion on these warping machines will further improve warping productivity.

The loss in loom efficiency due to warp breaks, shuttle changes etc accounts for 15 per cent to 20 per cent of the total losses. Operations like adjusting let-off, take-up, head shaft and temples occur very frequently, resulting in frequent stoppage of work. This can be reduced by modified let-off and take-up motions, use of roller temples with flanges.

Other auxiliary mechanism used in the handloom industry includes multi-treads, dobbies and jacquards. Multi treads are used for weaving twills, satin, fancy shirting and suiting. Different types of dobbies are used for weaving extra warp designs in sarees and for weaving all-over patterns.

3.3.6 Marketing of the Handloom Products

The co-operative societies adopt broadly three methods for marketing their products in the domestic market. These are:

3.3.6.1 Own Showrooms and Exhibitions

Some societies run own showrooms most often close to their production centres. A few societies set up showrooms in cities to effectively take care of the orders of commercial agents, PSUs and other outside parties, private hospitals etc. Exhibitions, often confined within the state, are organised during festivals like Onam, Vishu and Christmas. They also attend the exhibition sales as part of Trade fairs.

3.3.6.2 Through Apex Organizations - Hantex and Hanveev

Hantex has three systems for marketing its products, namely, cash sales through own showrooms, exhibitions & authorised agents and credit sales to government servants & sales to government departments. Both Hantex and Hanveev depend heavily on rebate period to sell their products.

3.3.6.3 The Master Weavers

The master Weavers of the entrepreneur sector produce fabrics against orders as also against local demand. The independent weavers of the Northern Region, especially Kannur, take orders from foreign customers. In this context, it may be worth mentioning that substantial portion of the exports of handloom products from Kerala is contributed by the handloom exporters of Kannur.

3.4 Financial Assistance

3.4.1 Long Term Capital

Both the Central and State Governments pursue various plans and schemes for the overall development of handloom sector and the welfare of weavers, who currently face stiff competition from international markets, powerloom and mill sector. The Government of India have come out with 5 Schemes during the 11th Plan with a special focus on the capacity building, infrastructure support, design & quality up-gradation, marketing & raw material support, health care etc. The five schemes are:

- (i) Integrated Handlooms Development Scheme
- (ii) Marketing and Export Promotion Scheme
- (iii) Handloom Weavers Comprehensive Welfare Scheme
- (iv) Mill Gate Price Scheme
- (v) Diversified Handloom Development Scheme

Allocation of funds for the last three years from 2008-09 to 2011-12 is given in Table No.3.7

Table No. 3.7 Allocation of funds by the GoI for handloom projects during the 11th Five Year Plan

(Rs. In Crore)					
Sl. No	Name of Scheme	2008-09	2009-10	2010-11	2011-12 (up to 9.3.12)
1	Integrated Handloom Development Scheme	108.98	125.00	172.05	164.70
2	Marketing & Export Promotion Scheme	46.00	50.00	61.00	55.60
3	Handloom Weavers Comprehensive Welfare Scheme	125.17	120.00	170.00	119
4	Mill Gate Price Scheme	29.59	30.60	65.00	55.60
5	Diversified Handloom Development Scheme	16.24	15.78	20.00	24.10

Source: GoI, Ministry of Textile, Answer to the questions in Lok Sabha.

The handloom industry in Kerala is a beneficiary of the above schemes implemented by GoI. The schemes implemented by Government of Kerala, with financial assistance from the Central Government, for the development of handloom industry in Kerala include:

- ❑ Deen Dayal Hathkargha Protsahan Yojana (DDHPY)
- ❑ Swarnajayanthi Gram Swarozgar Yojana (SGSY)
- ❑ Handloom Export Scheme
- ❑ Special Project for Factory Type Societies

- ❑ Textile Centre Infrastructure Development Scheme at Kannur and Thiruvananthapuram
- ❑ Integrated Handloom Training Project
- ❑ Strengthening of Hantex and Hanveev under DDHPY
- ❑ Margin money to powerloom and handloom units
- ❑ Welfare scheme like Contributory Thrift Fund, Health Package and House-cum-Work Shed Scheme
- ❑ Quality Raw Material Distribution Scheme under CENVAT
- ❑ Promotion of exquisite handloom products as work of art
- ❑ Integrated Handloom Development Scheme (IHDS)

3.4.2 Working Capital

The handloom weavers rely on co-operative banks, nationalized and private banks and various other financial institutions for their working capital requirements. NABARD is providing refinance facilities to State Co-operative Banks for financing the production and marketing activities of primary weaver societies. Most of the societies are now not getting working capital from these sources as they had already exceeded the Cash Credit (CC) limit and have huge loan arrears to the State and District Co-operative banks by way of interest, apart from the principal. To come out of the crisis, they borrow funds from private individuals at high rate of interest putting further constraints on the day-to day operations of the societies.

Government of India has taken a number initiatives to address the issue of availability of institutional credit and availability of cheap hank yarn to

Chapter 3

handloom sector in order to compete with powerloom and mill sector. They are summarized below

- i. The Government of India has approved Financial Package for loan waiver of over dues of weavers' co-operative societies and individuals as on 31-3-2010 with a total outlay of Rs.3884 crore. This will throw open the choked credit lines of weavers' co-operative societies and individual weavers.
- ii. Further, for easy credit availability to handloom weavers not covered under financial package, the Government will provide margin money assistance @ Rs 4200/- per weaver, interest Subvention of 3 per cent per annum for 3 years from the date of first disbursal /and credit guarantee for 3 years by the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) for which the Government will pay the required guarantee fee and annual service fee.
- iii. For availability of cheap hank yarn, 10 per cent price subsidy on silk and cotton hank yarn will be provided by the Government to ensure supply of subsidized yarn to handloom sector.
- iv. The Government has further approved enhancement in the freight reimbursement for transportation of different types of yarn used by the handloom sector in order to offset the increase in fuel cost.
- v. In order to provide relief to the silk weavers due to very high prices of domestic as well as imported raw silk, on the initiatives of the Ministry of Textiles, Ministry of Finance reduced the existing basic customs duty on raw silk from 30 - to 5 per cent, which has resulted in reduction of silk yarn prices.

To ensure effective implementation of the schemes and optimum utilization of funds for the benefit of handloom weavers, regular monitoring of the schemes is being done through field visits, calling for physical and financial progress reports and quarterly meetings with the State Directors in-charge of Handlooms.

3.5 Institutional Mechanism for the Handloom Industry.

There are various state and central government agencies which work in tandem for the upliftment of the handloom sector.

3.5.1 Government of India Institutions

- 1. Ministry of Textiles:* The Ministry of Textiles is responsible for policy formulation, planning, development, export promotion and trade regulation in respect of the textile sector. The developmental activities of the Ministry are oriented towards making adequate quantities of raw material available to all sectors of the textile industry and augmenting the production of fabrics at reasonable prices from the organized and decentralised sectors of the industry. Special emphasis is given to the development of handlooms in view of its large employment potential. The Ministry monitors the techno-economic status of the industry and provides the requisite policy framework for modernisation and rehabilitation.
- 2. Development Commissioner, (Handlooms) New Delhi:* Office of the Development Commissioner for Handlooms was set up in 1975 under the Ministry of Commerce. At present it is functioning under the Ministry of Textiles. 25 Weavers' Service Centres in 20 States are functioning under the administrative control of Office of the Development Commissioner for Handlooms as Field Units to look after

the needs of the handloom weavers like their skill up-gradation, design development etc.

3. *Weavers Service Center*: This is a Govt. of India organization meant for the training and skill up gradation of weavers. In Kerala it is located at Kannur. This organization has Design, Weaving, Dyeing, Printing, Photography, Library & Documentation sections for carrying out the design development, design adoption, design dissemination, technical inputs in the form of research in looms, dyes, dyeing techniques and in innovations in appliances and accessories used by the weavers.
4. *National Handloom Development Corporation (NHDC)*: This is a central government undertaking under the Development .Commissioner. (Handlooms) for the supply of the basic raw material to the weavers of the handloom sector at the Mill gate prices without charging any transportation charges and the other local taxes. The NHDC office in Kerala is located in Kannur
5. *Textiles Committee*- It is a statutory body set up under the Textiles Committee Act, 1963 (41 of 1963), under the Ministry of Textiles, GoI for promoting quality and excellence in the Indian Textiles Industry to make it globally competitive, and to provide basic infrastructure and guidance to support and enhance quality in the textile industry.
6. *Handloom Export Promotion Council (HEPC)*:In order to motivate, co-ordinate and facilitate exports of hand-woven goods, GoI constituted HEPC in 1965. It provides a variety of services to firms registered with it. It advices government and other authorities on problems and measures in relation with handloom.

It gets grant-in-aid from Government for its export promotion activities like organization of fairs/ exhibitions/ seminars/ buyer seller meets etc.

3.5.2 Institutions under Government of Kerala

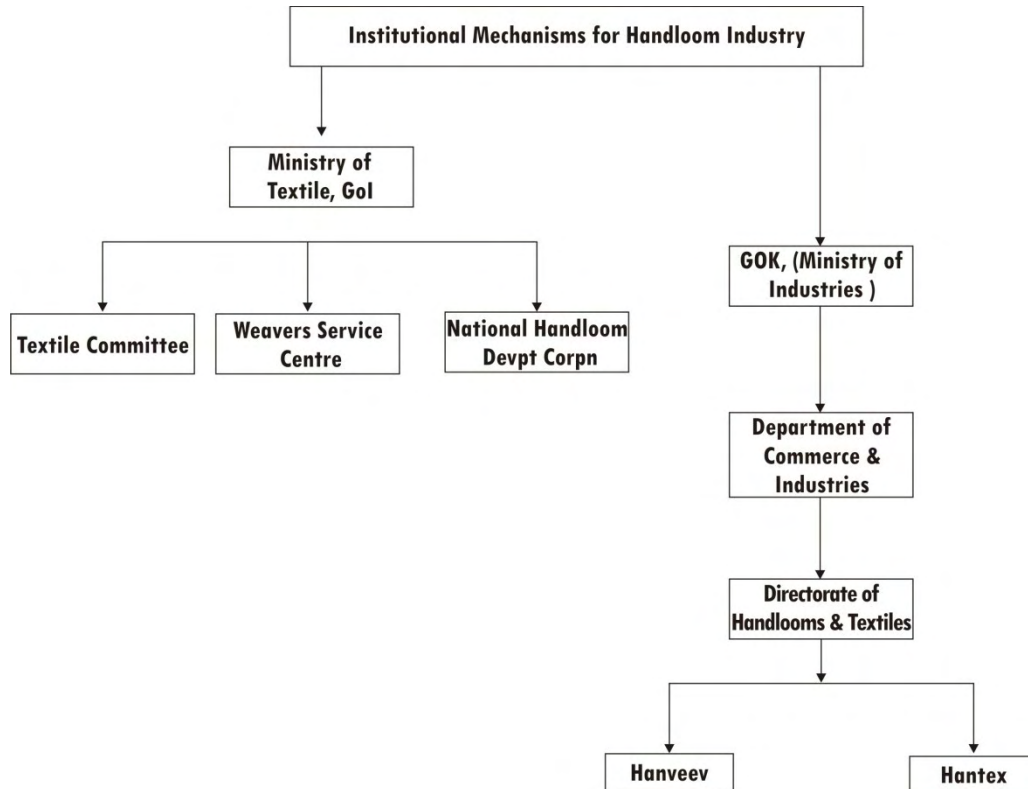
- 1. Ministry for Industries and Information Technology:* The ministry has a mandate to transform Kerala into a vibrant entrepreneurial society with faster, inclusive and sustainable economic growth in order to achieve global standards in every domain.
- 2. The Department of Industries & Commerce:* It is headed by the Hon'ble Minister (Industries & Commerce). The administrative head of the Industries & Commerce Department is the Additional Chief Secretary/Principal Secretary (Industries & Commerce). The Directorate of Industries & Commerce, the functional arm of the Industries Department is located at Vikas Bhavan, Thiruvananthapuram. It is headed by the Director (Industries & Commerce). District Industries Centers, located in all district head quarters comes under the Director (Industries & Commerce).
- 3. Directorate of Handlooms & Textiles:* Directorate of Handlooms & Textiles is the wing under Department of Industries, GoK to co-ordinate activities regarding the development of Handloom sector and implements financial and welfare schemes to weavers of Kerala. It advises Government in evolving policies and schemes aimed at developing the harmonious growth of Handlooms, Power looms and Textile Sector. The Director of Handlooms and Textiles is the functional Registrar for the Weavers co-

operative societies (Handlooms and Power looms) in the State who has been vested with the powers under the Kerala State Co-operatives Act 1969.

4. *Hantex*: Channel credit from central institutions to the societies, Procure and supply yarn and other raw materials and provide technical inputs in the form of improved design and know how, and market the products of the member societies
5. *Hanveev*: The “Kerala Handloom Finance Corporation” Hanveev is set up with the prime objective of promoting private handloom sector by providing finance for both working capital and for investment. In 1975, the name of the corporation was changed to the “Kerala Handloom Finance & Trading Corporation” and subsequently to Hanveev.
6. *Institute of Handloom and Textile Technology*: Institute of Handloom and Textile Technology (IHTT) is an Institution set up by the Government of Kerala under the Ministry of Industries for giving input of Science and Technology to the Traditional Handloom Textile Industry. The Institute was established and registered under the Societies Registration Act of 1860 in the year 1987. It conducts various training programmes in Fabric Forming Technology (FFT), Dyeing and Processing Technology (DPT), Fashion designing, Interior Decoration etc.

The institutional mechanism in place for the handloom industry in Kerala, as detailed above, is given in Figure No.3.3

Figure No.3.3 Institutional mechanism for the handloom industry in Kerala



The Handloom Co-operative Societies in Kerala suffer from certain inherent and operational problems. The inherent problems of the Handloom Co-operative Societies in Kerala are those related to its structure, constitution and related issues of its co-operative nature. Some of the inherent weaknesses of Co-operative Societies in Kerala are delay in decision making, lack of consensus between members, lack of profit motive, less market-driven and high political interference. Bringing perceptible changes in these areas are rather difficult and time-consuming as inherent problems are embedded in the social system and are connected with the political and economic environment. On the other hand, the handloom co-operative societies in Kerala face a lot of operational problems-problems that are connected with the operational aspects

of the industry, viz promotion, financing, production, marketing of handloom- that can be addressed by external interventions both fiscal and financial interventions. The principal operational problems faced by the handloom co-operative societies in Kerala are summarised below:

- a) Dearth of expert weavers: Dearth of expert weavers exist in most of the centres of handloom production in Kerala. Weaving is largely an occupation of certain communities of people, Eg: the ‘Salia’ community who came down from Tamilnadu and settled at Balaramapuram. It is no secret that weavers do not send their children to this work. The expertise and tacit knowledge is gradually declining. This would seriously affect the industry in the long term unless the sector is taken to the high growth path. The younger generation of such communities are generally not interested in pursuing this occupation for a variety of reasons including poor remuneration.
- b) Poor remuneration: Poor remuneration derived from weaving as an occupation prompts even the old generation weavers to look for alternate jobs, of late, job under employment guarantee scheme of GoI.
- c) Competition from Powerlooms: Competition from Powerlooms pose serious threat to the handloom industry; Products manufactured in Powerlooms, available in the markets at cheaper prices, substitute handloom fabrics. On one hand the productivity of powerlooms is 10-12 times more than that of handlooms while on the other hand, powerlooms can easily replicate most products of the handloom sector. In fact there has been a practice of marketing products manufactured in powerlooms under the label of handloom items. It was learnt during the field visits that some people are selling powerloom products in the label of ‘handloom products’ specifically mentioning the geographical names of certain popular handloom pockets in Kerala.

- d) Difficulties in procuring raw materials in adequate quantities, especially on account of working capital shortages, absence of diversified product range, inappropriate technology, poor loom conditions and incapability for professional marketing also pose severe constraints in the development of the handloom sector.
- e) Lack of working capital: Though NABARD provides refinance facilities to the State co-operative banks and RRBs for financing requirements of primary and apex weavers' cooperative societies, the service charges levied by these institutions result in the doubling of interest rates for the societies.
- f) Poor infrastructure & Working environment: Investment in handloom sector has thus far been limited to input supply costs. There is no investment intended towards the overall growth of the sector. While there have been some piece-meal projects such as workshed-cum-housing and project package schemes, they merely perpetuate the existing conditions. The production and working environment in the handloom industry is poor and in the case of cottage-type handloom societies, where the loom is attached to the houses of the weavers, the situation is pathetic. The pit-loom in the cottage type make the weaving practically difficult during rainy season, making these handloom workers virtually unemployed. Though the work shed and factory type societies offer a better environment compared with the cottage type societies, the poor infrastructure facilities pose huge limitation for their proper tapping of the resources.

Some of the photographs taken during the field visits are given in Figure No.3.4 for giving a quick glance of the working environment in handloom Co-operative societies in Kerala.

Figure No. 3.4 A quick glance of the working environment in Handloom Industry



Inside view of Ooruttabalam Society in TVM. The pit is wet, especially during rainy season.



A view of Thettivila HWCS and Ooruttabalam Society in TVM from outside



Inside view of Puzhathi HWCS in Kannur, and Vanaja HWCS at Kannur where workers are working among the large number of abandoned looms



Outside view of Royal HAWCS at kannur and Kamukincode HWCS at TVM

- g) Lack of Facilities for Dyeing and other pre-loom operations: Another major problem facing handloom sector is lack of good infrastructure to develop dyeing and other pre-loom operations. The co-operative societies are not in a position to come out with better dyeing units, which is economical at large size and require huge investment. Only few societies have dyeing centres with modern facilities such as water softening plants or dyeing chambers. Dyeing is unorganized and marked with low end applications. The regulatory bodies like Panchayath do not give statutory permission to set up dye house as it is a polluting activity and likely to harm the environment if proper treatment facility is not set up to treat the waste. Setting up of Dye Houses individually is costly and hence not feasible. Hence majority of the co-operative societies / weavers still undertake the dyeing activity through dyeing houses in neighboring states or buy processed yarn, which is ready to use. All this has a significant bearing on the quality of final products, wages weavers get and the profit societies make.

- h) Lack of forward Integration: Societies seldom undertake any forward integration due to lack of funds and also lack of infrastructure support for design capabilities.
- i) Marketing : The supply chain in the handloom industry in Handloom sector in Kerala is extremely fragmented mainly due to lack of co-ordination between industry and relevant trade bodies. With the existence of many intermediaries between the weaver and the final consumer, each intermediary not only leads to lengthening of lead times, but also adds to costs. By the time the product reaches the final consumer, its price increases manifold.
- j) Co-ordinating agencies: The problems of the handloom industry are not new. The issues and the means to solve the problems were discussed at length by the academicians, policy makers and financial institutions over the last 6 decades. All these studies have pointed out one thing in common. The handloom industry is a “Low Market, Low Margin” industry and the government support is more on ‘emotional’ and ‘political’ considerations. To change this and make the industry sustainable, the handloom sector should come out with products;
 - a) that people need
 - b) with trendy designs
 - c) of high quality and
 - d) at most competitive price

If the above are ensured, the demand will pick up automatically. These necessitate a high level co-ordination by the departments and agencies working under it-to conduct, if necessary, international handloom trade fairs in Kerala,

Global fairs in Kerala, National/International Handloom Fashion shows, International exhibitions, roping prominent local textile manufacturers and traders for undertaking forward integration activities and associating with trade bodies like CII, FICCI, Chamber of Commerce etc for better brand building and technology transfer. However, despite the liberal support extended to the sector by the government, many such things are yet to happen. The activities of the Directorate of Handloom & Textiles confine most often to implementing schemes announced by the governments and it seldom travels beyond the customary routes of providing funds to the intended beneficiaries. The inefficiency of the developmental and promotional agencies like Hantex and Hanveev added further blow to the sector deepening the crisis.

The costing on a select few products procured from the weavers are given in the Table No.3.8

Table No. 3.8: Product Pricing Method by Hantex as on 2.05.2012

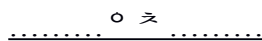
(in Rupees)					
Sl.No	Name of the Fabric	Basic Product Cost at the time of procurement from Weavers	Charges levied by Hantex on the product		Final Product cost
			Admn OH of 20% of PC	Margin 15 & on B	
1	Bed Sheet Colour	237	47.4	42.66	327.06
2	Pillow Cover				
	White (18X 28)	76.33	15.266	13.7394	105.34
3	Bed Sheet Colour (90X108)	493.2	98.64	88.776	680.62
4	Satin Sheet				764.29
	(60X90)	553.84	110.768	99.6912	9

Source: Hantex

All the products procured by Hantex are sold using the same costing method. Moreover, the payments from Hantex and Hanveev is not prompt which in turn affect the working capital availability of these societies who are already crippled by the dearth of working capital from banks. The inefficiencies connected with Hantex/Hanveev, its deficiencies in the procurement and marketing networks, lack of adaptability and excessive political interference etc., limit or affect their ability to deliver enhanced customer satisfaction and economic value through synchronized management of the flow of goods and customer feedbacks. This probably could be due to the fact that Hantex and Hanveev are independent government agencies not having organic links with the manufacturing sector.

Thus the handloom industry in Kerala needs improvement in the following operational areas;

1. Labour Force
2. Raw material procurement
3. Marketing
4. Credit & Investment
5. Technology and Infrastructure
6. Co-ordination for effective Supply Chain Management.



Chapter 4

INTEGRATED HANDLOOM DEVELOPMENT SCHEME-CLUSTER DEVELOPMENT PROGRAMME

As already mentioned in Chapter 1, the Government of India has been following a policy of promoting and encouraging handloom sector through a number of policies and programmes. Most of the schematic interventions of the Government of India in the Ninth and Tenth Plan period have been through subsidies and grants. However, in the face of growing competitiveness in the textile industry both in the national and international markets and the free trade opportunities emerging in the post MFA environment, a growing need has been felt for adopting a focused, yet flexible and holistic approach in the sector to facilitate handloom weavers to meet the challenges of a globalised environment. A need has also been felt to empower weavers to equip them for growth and diversification in line with the emerging market trends. The objective of the 11th Plan for the handlooms sector was to develop a strong, competitive and vibrant sector that would provide sustainable employment leading to economic development, particularly of rural areas. Accordingly, during the 11th Plan, the Government of India implemented the Integrated Handlooms Development Scheme (IHDS). The scheme is an attempt to facilitate the sustainable development of handloom weavers located in and outside identified handloom clusters into a cohesive, self-managing and competitive socio-economic unit.

4.1 Integrated Handlooms Development Scheme (IHDS)

Integrated Handlooms Development Scheme (IHDS), implemented during the XI Plan, has been formulated as a Centrally Sponsored Plan Scheme by merging the essential components, with or without modifications, of the four schemes i.e. Deen Dayal Hathkargha Protsahan Yojana (DDHPY), Integrated Handloom Training

Project (IHTP), Integrated Handloom Cluster Development Scheme (IHCDS) and Workshed-cum-Housing Scheme, implemented during the 10th Plan. There are four components of the Scheme as shown in the Table No. 4.1.

Table No.4.1 Components of the Integrated Handlooms Development Scheme (IHDS)

Sr.	Scheme	Components
A.	Cluster Development Programme	Clusters having weavers in the range of 300-500 nos
B	Group Approach	To be implemented in the project mode outside the cluster in contiguous geographical areas for small weaver group of 10 Nos
C	Handloom Organisations	Marketing Incentive for Strengthening of Handloom Organisations
D	Others	For encouraging innovative ideas, projects and products

Source: Development Commissioner, (Handlooms) Ministry of textiles, GoI

Of the four components offered, the Cluster Development Programme under IHDS is the one that promotes clusters in Handloom. Hence the research is on the Cluster Development Programme implemented as part of the IHDS.

4.2 Integrated Handloom Development Scheme- Cluster Development Programme (IHDS- CDP)

The cluster development approach focuses on formation of weavers' groups as a visible entity so that the groups become self-sustainable. 625 clusters, each covering about 300 to 500 handlooms was planned during the XI Plan period. This included the 100 clusters for which diagnostic study have been completed during the year 2006-07 and the clusters announced in the Budget for the year 2007-08.

4.2.1 Objectives of the Scheme

The main objective of Cluster Development Programme under IHDS:

1. to focus on formation of handloom weavers' groups as a visible production group in a selected handloom clusters,
2. to assist the handloom Weavers Groups for becoming self –sustainable,
3. to adopt an inclusive approach to cover weavers both within and outside the Co-operative fold,
4. to up-grade the skills of handloom weavers/workers to produce diversified products with improved quality to meet the market requirements,
5. to provide suitable workplace to weavers to enable them to produce quality products with improved productivity,
6. to provide market orientation by associating entrepreneurs, designers and professionals for marketing, designing and managing the production,
7. to facilitate process of credit from financial institutions/banks.
8. to encourage co-operatisation of weavers and
9. to provide need based inputs specific to each Cluster/group in a holistic and flexible manner.

4.2.2 Definition of Cluster under IHDS -CDP

The handloom cluster under IHDS-CDP is defined as a place where there is a large concentration of handlooms, producing handloom fabrics that would be in tune with the market demands. A cluster can be formed by handlooms in the range of 300-500, located in close proximity in two adjoining revenue subdivisions/ villages within an administrative district or across two (mostly adjoining) districts.

4.2.3 Project Cost and the Activities Envisaged

The financial assistance for Cluster Development will be a for a maximum project cost of Rs. 60.00 lacs per cluster, for a project period of 3

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years. The project proposals are to be prepared in accordance with the requirements and priorities of the cluster. Activities covered and the maximum amount allotted under the IHDS-CDP is summarised in the Table No.4.2.

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

no	Components eligible for assistance	Purpose	Assistance per Cluster	IA/Beneficiary	Activities covered under IHDS-CDP
1	Baseline Survey, diagnostic Study, formation of SHG	A swot Analysis of the pocket to prepare an action plan.	Rs.1.25 lacs	100% GOI	One time Assistance
2	Formation of Consortium	The consortium with industry shareholders as members to have interaction and tie up linkages with the connected organizations	Rs.0.50 lacs-	100% GOI	One time Assistance
3	Corpus Fund for Yarn Depot (one Time Assistance)	To set up an Yarn Depot of NHDC at the cluster in order to ensure regular availability of yarn to the weavers.	Rs.3.00 lacs	100% GOI	one time
4	Design Development & Product Diversification	To enhance design capabilities and product profile	Rs.3.00 lacs	50 : 50	One time for Purchase of Computer Aided Textile Design System (CATD), Colour forecast, trend forecast
5	Skill up-gradation (ceiling of 15% of the project cost) Provision for a batch of 20 trainees will be a) Rs.3.00 lacs for weaving. B) Rs.1.00 lacs for dyeing, c) Rs.0.50 lacs for designing and d) 0.25 lacs for managerial training for 50 trainees	To equip weavers to produce diversified products with improved quality to meet changing market trends	Rs.4.74 lacs	100% GOI	One time Assistance Engaging designer for 3 years
6	Common Facility Centre (ceiling of 50% of the project cost)	To reduce fixed cost of individual units	Rs.30.00 lacs	100% by GOI	One time for CFC
7	Publicity & Marketing (ceiling of 20% of the Total Project Cost)	Marketing Assistance Advertisement, brochure, catalogue Participating three exhibitions/fairs Participating six buyer seller meets Conducting market survey/intelligence Awareness & exposure visit @ Rs.3000/ per weaver Development and hosting of website	Rs.0.50 lacs Rs.6.00 lacs Rs.3.00 lacs Rs.1.00 lacs Rs.3.00 lacs Rs.0.25 lacs Rs.7.20 lakh	(75601:25State) (75601:25State) (75601:25State) (75601:25State) (75601:25State) GOI GOI	over three years over three years over three years one time over three years one time over three years
8	Project Management Cost @ Rs.2.40 lacs per year	margin money	Rs.0.06 lacs	70 GOI : 20 State; 10 IA/Ben	one time
9	Basic inputs	New loom	Rs.0.08 lacs	70 GOI : 20 State; 10 IA/Ben	one time
		Dobby	Rs.0.04 lacs	70 GOI : 20 State; 10 IA/Ben	one time
		Jacquard-one time	Rs.0.06 lacs	70 GOI : 20 State; 10 IA/Ben	one time
		Accessories	Rs.0.02 lacs	70 GOI : 20 State; 10 IA/Ben	One time
10	Construction of Workshed	For a workshed of 20 sq.mtr, to weavers BPL	Rs.25000/-	GOI	One time
		For a workshed of 20 sq.mtr, for other weavers	Rs.18750/-	GOI	One time
	TOTAL		70.00		
	maximum project cost		60.00		

4.2.4 Quantum of Assistance

The quantum of assistance is need based, depending on the requirement of the cluster, the scope of the activities envisaged in the cluster development project, technical, financial and managerial capacity of the Cluster Organization, level of maturity and past track record of the cluster etc. The maximum permissible project cost for each cluster will not exceed Rs.60.00 lakhs per cluster for a project period of 3 years (including the assistance to the individual weavers) and will include Central, State and Implementing agencies/beneficiaries share.

4.2.5 State Level Project Committee (SLPC)

The State Level Project Committee (SLPC) will be headed by the State Commissioner/ Director of Handlooms & Textiles with representatives drawn from a reputed NGOs working in the Handloom Sector, Handloom Organization (Apex Weavers' Coop. Society or State Handloom Corporation), leading Exporter, Officer In-charge, Weavers' Service Centre concerned and a weaver from the group of SHGs. SLPC will be responsible for scrutinizing the project proposals, validating the action plan, monitoring, evaluation etc. and will also recommend the implementing agency

4.2.6 Cluster Implementing Agency

State Governments/UTs will receive proposals from the Implementing Agencies i.e; State Government offices like; Directorate of Handlooms and allied offices, State Handloom Corporations, Apex Societies, NGOs (recommended by the State Governments and approved by Office of the Development Commissioner for Handlooms). The Implementing Agencies (IA) are Director of Handlooms & Textiles and allied offices of the State Govt., State

Handloom Corp., Apex Co-operative Societies, Organisations and NGOs recommended by the State Govt. and approved by this office, National Level Handloom Organisations and Central Government Organisations.

- i. To identify the Cluster Development Executive (CDE),
- ii. To interact with the State Govt./State Level Project Committee for training of the CDEs,
- iii. To conduct the baseline survey and diagnostic study,
- iv. To prepare a project on the basis of diagnostic study conducted by the CDE, specifying inter-alia annual action plans, clearly indicating the requirement of the cluster, activities and expected outputs, outcomes/deliverables and submit the proposal to the SLPC for its approval.
- v. To implement the project mentioned above within the time limit.
- vi. To submit physical & financial progress report periodically and also, completion report to the State Govt.

4.2.7 Submission of the Proposals and Release of Financial Assistance

4.2.7.1 Initial proposal for the Baseline Survey and Diagnostic Study

Development of each Cluster will be taken up through the State Govts. or its Implementing Agencies as a Centrally Sponsored Scheme in a project mode. State Government will invite proposals from Implementing Agencies for undertaking the Baseline Survey and Diagnostic Study of a cluster(s), which will be scrutinized and recommended by the SLPC to the Office of the

Development Commissioner (Handlooms). Office of the Development Commissioner for Handlooms will sanction 50 per cent of the amount for undertaking Baseline Survey and Diagnostic Study of the identified handloom clusters. Remaining 50 per cent will be released to the IA through the State Government after submission of the Project Report containing Baseline Survey, Diagnostic Study Report and the Action Plan duly recommended by the SLPC, Utilization Certificate (UC) for the amount released towards baseline survey & diagnostic study, audited accounts etc.

4.2.7.2 Submission of Project Report of Cluster Development, Action Plan and Release of Assistance.

The Project Report will be considered by a State Level Project Committee (SLPC), concerned for scrutiny, verification etc. Only proposals that are found viable and beneficial for the socio-economic development of the weavers in the cluster will be recommended by the SLPC. The State Government will forward such project proposals to the Development Commissioner for Handlooms for approval. After due scrutiny & approval of such proposals by the Office of the Development Commissioner for Handlooms, financial assistance shall be released in three installments i.e. upto 30 per cent as 1st installment, upto 40 per cent as 2nd installment and balance as 3rd installment to the Implementing Agency (IA) for implementation of the Cluster Development Programme. Release of Central assistance will be made to the IA through the State Government based on submission of utilization certificates, audited accounts, physical progress as per action plan etc. as specified in the project. IA will maintain the records as per the relevant General

Financial Rules (GFR). State Governments may also send composite Project Reports, encompassing both the Baseline Survey and Diagnostic Study and the Cluster Development Action Plan. In such cases, the total cost of the Baseline Survey and Diagnostic Study as well as upto 30 per cent cost of proposed Action Plan may be released by the Office of the Development Commissioner for Handlooms as first installment. In the case of WSC is the implementing agency, the fund is directly given to it by DC (H) and not through State Government. The time frame for completion of the cluster project is 3 years.

4.3 Profile of the Study Area and Select Handloom Clusters in Thiruvananthapuram and Kannur

The geographical area covered by the study includes the revenue districts of Thiruvananthapuram and Kannur in Kerala State. A brief profile of these two pockets is given below:

4.3.1 Thiruvananthapuram

Thiruvananthapuram District is the Capital of Kerala. It is located in the South of the state, bordered by Tirunelveli (Tamil nadu) in the East, Kanyakumari (Tamil Nadu) in the South and Kollam district in the North and Arabian Sea in the West. Proximity to the high mountains on the east and the ocean and lakes on the west has blessed the district with a temperate climate.

Table No.4.3 gives a quick overview of the profile of the Thiruvananthapuram District.

Table No.4.3 General Profile of Thiruvananthapuram District at a Glance

Thiruvananthapuram at a Glance	
Area	2192 Square Kilometers (5.6 per cent of the total land area of Kerala)
District Headquarters	Thiruvananthapuram
Neighboring District	Kanyakumari (Tamilnadu), Thirunelveli (Tamilnadu) & Kollam (Kerala).
Total Population (2011 Census)	33,07,284
Sex Ratio (Females Per 1000 Males) (2011 Census)	1088
Population Density (2011 Census)	1509/Sq.Km
Total Literacy Rate (2011 Census)	92.66 per cent
Taluks	4 – Chirayinkeezhu, Nedumangadu, Neyyattinkara, Thiruvananthapuram.
Villages	120
Grama Panchayats	78
Block Panchayats	12
Municipalities	4 – Neyyattinkara, Nedumangadu, Varkala, Attingal
Municipal Corporations	1 – Thiruvananthapuram Corporation
Lok Sabha Seats	2 – Thiruvananthapuram and Chirayinkeezhu
Niyama Sabha Seats	14
Total Cropped Area	1,62,176 Ha
Average Annual Rain Fall	1,500mm/annum
Heavy Industries	81 Units
Small Scale Industries	23,756 Units
National Highways	1 – NH 47 (Covers 80 kms within district)
State Highways	1 – MC Road (55 kms)
Railway Routes & Stations	82 kms & 20 Stations
Airports	1 – Thiruvananthapuram International

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

	Airport (Domestic and International)
Number of Harbours	1 – Vizhinjam
Centres of Excellence	Technopark , Vikram Sarabhai Space Centre (VSSC) , Rajiv Gandhi Centre for Biotechnology , Indian Institute of Science Education & Research , National Institute for Interdisciplinary Science & Technology , HLL Lifecare Limited , BrahMos Aerospace Limited , Central Tuber Crops Research Institute , Tropical Botanic Garden & Research Institute , Sri Chitra Tirunal Institute for Medical Sciences & Technology , Regional Cancer Centre , Trivandrum Medical College , College of Engineering Trivandrum , Centre for Development Studies .
<i>Source: Compiled using data from KSIDC/Department of Information-Public Relations, Government of Kerala</i>	

The district is said to be one of the industrially advanced districts in the state, with the presence of a number of medium and large scale industries. The district has got 2 Central Sector, 14 State Sector, 1 co-operative sector, 4 joint sector and 60 private sector medium and large scale industries. The district also has got a number of small and medium enterprises. The units include oil mills, cashew factories, cotton textiles, saw mills, printing units, rubber industrial units, chemical units, match factories, general engineering units and automobile workshops. Among the traditional industries, coir and handloom are the major employment providing sectors in the district.

The details of the MSMEs in the District is given in Table No.4.4.

Table.No.4.4 MSMEs in Thiruvananthapuram District

#	Type of Industry	No. Units	Employment (Nos)
1	Agro Based	4994	12509
2	Ready made Garments & Embroidery	2495	11598
3	Wood & Wooden-based furniture	499	1434
4	Paper & paper products	250	711

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5	Rubber, Plastic	998	3392
6	Engineering units	2987	13369
7	Electrical machinery and transport equipment	499	2145
8	Repairing & Servicing	250	935
9	Others	8991	78617
	Total	21962	124710

Source: DIC Thiruvananthapuram

There is an Industrial Estate at Pappanamcode and Industrial Development Centre at Kochuveli. Technopark, the first park for the development of electronics and information technology in the country was set up in Thiruvananthapuram. KINFRA, has set up three industrial parks and KSIDC has set up one Life Science park in the District. The details of the major industrial parks/estates in the District are given in Table No.4.5.

Table No.4.5 Major industrial parks/estates in the Thiruvananthapuram District

#	Name of the Park	No. Units	Investment (Rs. lakh)	Employment (Nos)	Area (acre)
	Industrial Estate, Veli	14	NA	NA	108.
		6			63
	DP Monvila	37	NA	NA	27.5
					3
	KINFRA Small Industries Park, Thiruvananthapuram	56	5271	1508	40
	KINFRA International Apparel Park, Menamkulam, Thiruvananthapuram	20	13590.6	6771	45
	KINFRA Film and Video Park, Thiruvananthapuram	21	23735.35	4268	50
	KSIDC –Life Science Park	NA	NA	NA	30

Source: Compiled using data from Economic Review 2011 and data collected from KSIDC/KINFRA/DIC

4.3.1.1 Handloom in Thiruvananthapuram

The capital city, apart from its historical importance, has got a prominent place in the textile map of the country, through its age old traditional handloom products. It is said that the weavers belong to Saliya community had migrated from Nagarcoil and Thirunalveli in Tamil Nadu during the time of Balarama Varma, about 250 years back. Here they produced super fine 'Mundum Neriyaathu; for the need of the Royal family. Soon, the technique of producing the superfine fabric, spread from them to the local weavers in Balaramapuram and the surrounding places. Initially they were producing 'Mundu' for men with 0.4cm of width of 'kara' (cross border) with black garn. About 100 years back the jeri from Surat was brought to Balaramapuram and 'Kasavu Sarees' production was started. Production at almost all stages use traditional technologies – hand –plied yarn for plying, pit looms and fly shuttle looms for weaving and so on.

There was a remarkable continuity in the type of goods that were being produced in Travancore. In 1883, the cloth in use among the local people was essentially waist and head cloth. By 1906 the range had widened to include Neriyaathu, dupatta, Kavani and Muri. By 1940, the major products were Mundu Thoruthu, Neriyaathu. Even today all types of mundu (double Veshties, single veshties, settu mundu) neriyaathu and thorthu constitute the bulk of the product mix in south Trivandrum, suggesting that the product mix in this region had remained unchanged since last 70 years or so.

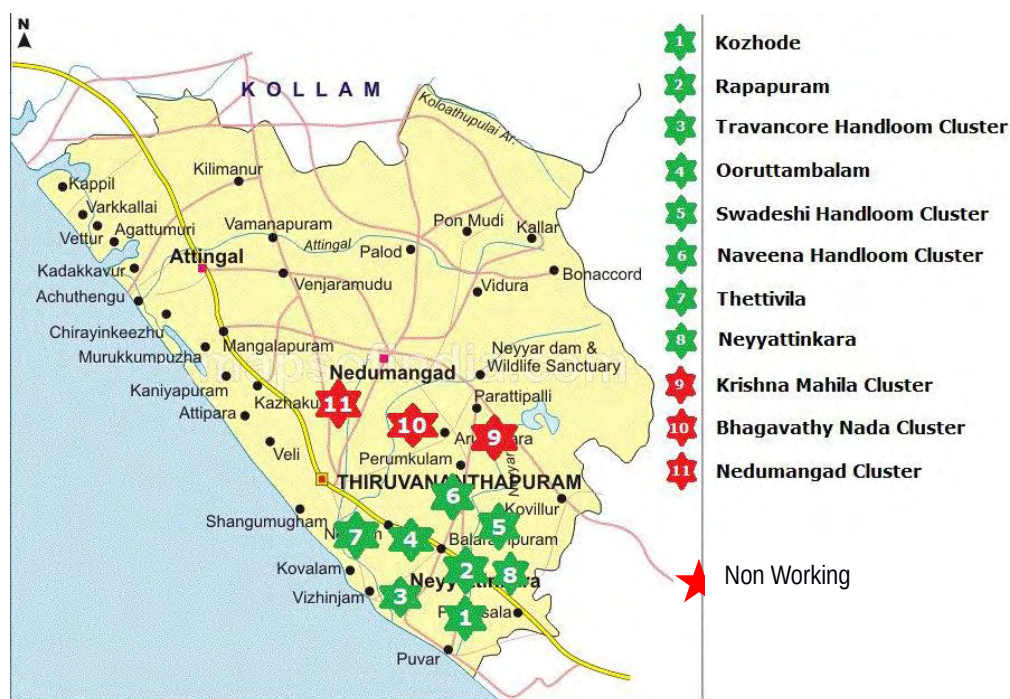
As mentioned earlier, the industry in Travancore was traditionally differentiated in its product mix. While one set of the industry produced fine

varieties, catering to the royal, aristocratic and other higher strata of Travancore society, the remaining section concentrated on the production of coarse variation of cloth. It may also be noted that the industry in Travancore was essentially oriented towards the domestic market. Today the district has got 247 societies and 26802 weavers producing fine cotton textures.

Considering the handloom tradition and wide prevalence of the handloom co-operative societies of the district, Government of India under IHDC-CDP sanctioned 11 handloom clusters for the District, out of which 8 Clusters are working. The District map in Map No. 4.1 shows the location of the handloom clusters in Thiruvananthapuram

Map. No. 4.1 Handloom Clusters in Thiruvananthapuram District under IHDS-CDP

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters



Source: Compiled.

4.3.2 Profile of the Study Area-II. Kannur

Kannur District or Cannanore District is one of the 14 [districts](#) in the state of [Kerala, India](#). The town of [Kannur](#) is the district headquarters. Kannur District is bounded by [Kasaragod District](#) to the north and [Kozhikode District](#) to the south. To the east the district is bounded by the [Western Ghats](#) range, which forms the border with [Karnataka](#) state, in its districts of [Kodagu](#) and [Chamarajanagar](#). The [Arabian Sea](#) lies to the west.

Kannur is one of the most urbanised districts in [Kerala](#) having more than 50 per cent people living in urban areas. Kannur has an urban population of 1,212,898 which is second largest in [Kerala](#) after [Ernakulam district](#). Table No. 4.6 gives a quick overview of the profile of the Kannur District

Table No.4.6 General Profile of Kannur District at a Glance

Area	2,996 Square Kilometers (7.7 per cent of the total land area of Kerala)
Neighboring District	Kasargod, Wayanad, Kozhikode
Total Population (2011 Census)	25,25,637
Sex Ratio (Females Per 1000 Males) (2011 Census)	1,133
Population Density (2011 Census)	852/Sq.Km
Life Expectancy at Birth (2011 Census)	75.6 years
Per Capita Income (2009-10) (Constant Prices)	Rs 50,623/
Total Literacy Rate (2011 Census)	95.41 per cent
Taluks	3 – Kannur, Thaliparamba, Thalassery
Villages	129
Grama Panchayats	81
Block Panchayats	11
District Panchayat Constituencies	26
Municipalities	6 – Kannur, Thaliparamba, Koothuparamba, Thalassery, Payyannur, Mattannur
Lok Sabha Seats	1 – Kannur
Niyama Sabha Seats	11
Total Cropped Area	2,42,181 Ha
Average Annual Rain Fall	3,438 mm/annum
Heavy/Medium Industries	12
Small Scale Industries	11,282 Units
National Highways	1 – NH 17
Airports	Kannur International Airport is under construction near Mattannur

Centres of Excellence	National Institute of Fashion Technology, Institute of Handloom and Textile Technology, Apparel Training and Design Centre, Indian Naval Academy.
Source: Compiled using data from KSIDC/Department of Information-Public Relations, Government of Kerala	

Kannur district has had its industrial importance from very early days. Blessed with a variety of factors such as good soil, salubrious climate, rich forests, enormous fishing potential, minerals as well as infrastructural facilities like road, rail, inland water transport, etc., the district offers ample scope for the development of industries. Nevertheless, Kannur is an industrially backward district in the state. There are only one major and five mini industrial estates in the district. Keltron Complex, Mangattuparamba and Western India Plywood's, Valappattanam are the only two major industries. The Western India Plywoods is one of the biggest wood based industrial complexes in South East Asia. The district has 12 medium-scale industries, most of which are either [cotton textile](#) or [plywood](#) manufacturing. There are 6934 small scale industrial units in the district. Only 4828 units are working now. About one lakh people depend on the textile industry for livelihood. (DIC, Kannur)

Textiles, beedi and coir are the important traditional industries in the district. The textile industry which accounts for 40 per cent of all SSI units in the district was introduced in early 19th century by the German Basal Mission. The first ready-made garment unit at Kannur and the first hosiery unit at Kuthuparamba were started at the end of the 19th century. The beedi industry provides employment to about 28,000 people. Famous beedi co-operatives like

'Dinesh Beedi' is in Kannur district. The coir industry which uses traditional technology provides employment to about 11,000 workers.

Details of the MSME in the District are given in the Table 4.7.

Table No. 4.7 MSME in Kannur District

#	Type of Industry	No of units	Employment (Nos)
1	Cotton Textile	112	586
2	Wood & Wood-based furniture	44	230
4	Paper & paper products	10	48
5	Leather Based	9	29
6	Rubber, Plastic & Petro based	4	26
	Engineering units	148	458
7	Electrical machinery and transport equipment	10	47
8	Glass & ceramics	2	6
9	IT & ITES	16	68.
10	IT Hardware	1	4
11	Plastics	10	66
12	Food & Agro based	100	414
13	Service activities	55	198
14	Miscellaneous	218	964
	Total	739	3144

Source: DIC, Kannur

The major industrial enterprises in Kannur are based on Textile, Handloom and Wood-based industry. The hosiery industry allied to the handloom and cotton textiles is one of the oldest and most important. The

handloom clothes of Kannur had won international reputation. The district houses a few industrial parks for the promotion of industries.

Major industrial parks in the District is given in the Table No.4.8.

Table No.4.8 Major industrial Parks/Estates in Kannur District

#	Name of the Park	No of Units	Investment (Rs. lakh)	Employment (Nos)	Total Land (acre)
1	DP Andoor	167	NA	NA	59.31
2	KSIDC Industrial Growth Centre, Kuthuparamba	28	4700.00	1100	252
3	Kinfra Textile Park, Nadukani	12*	3057.8	3095	127
4	KINFRA Small Industries Park, Thalassery	22**	4267.42	1133	50

*Source: Compiled using data from Economic Review 2011 & 2012 and data collected from KSIDC/KINFRA/DIC*9 & **12 units are under implementation.*

4.3.2.1 Handloom & Handloom Clusters in Kannur

Kannur - the land of looms and lures is situated towards the northern part of Kerala. The evolution of the industry in Kannur can be traced from the records of the Basel Mission Activities. Legend was it that the Chirakkal Rajas of Kannur brought weaver families from the traditional weaving communities of Saliya from other regions and settled them in colonies. Though Basel Mission commenced its activities in India in 1834 at Mangalore, weaving was taken up only in 1844. Weaving establishments in early days were attached to the Mission house itself. Later establishments were started at Kannur (1852) and Calicut (1859). By 1913, both these establishments had huge complexes with over 600 workers each. In 1911, for better management, these were merged under the name Basel Mission United Weaving Establishment. It was Basel Missionaries who introduced frame looms in Kannur (today almost all

looms in Kannur are of this type, the co-operative societies which are covered in the survey had all framelooms, except Morazha which had 3 pitlooms for silk weaving) as early as 1847. Also the introduction of fly shuttle looms, jacquard looms (1872) by the missionaries helped the weavers of Kannur widen the range of their products. They were mainly tablecloths, napkins, handkerchiefs, cotton check shirts, superior damask linen and so on. Later, furnishing and upholstery fabrics for which the industry is now well known came into being. It became more and more specialized in export-oriented production.

Considering the importance of the handloom products from the region, especially for the export oriented products, Govt of India sanctioned 5 handloom clusters in the Kannur District, second highest number of clusters after Thiruvananthapuram. All the 5 clusters are working. The District map in Map No. 4.2 shows the location of the 5 handloom clusters in

Map No. 4.2. Handloom Clusters in Kannur District under IHDS-CDP



Source: Compiled.

4.4 Profile of Select Handloom Clusters

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

Under the IHDS, GoI had sanctioned 24 clusters in Handloom sector in Kerala during 2006-2007. The district wise list of Handloom clusters approved under IHDS-CDP is shown in the Table No.4.9

Table No.4.9 District-wise List of Handloom clusters

District	Sl.No
Thiruvananthapuram	11
Kollam	1
Pathanamthitta	0
Alappuzha	0
Kottayam	0
Idukki	0
Eranakulam	1
Thrissur	1
Palakkad	3
Malappuram	0
Kozhikkode	2
Wayanad	0
Kannur	5
Kasaragod	0
Total	24

Source: Directorate of Handlooms & Textiles, GoK

Out of the above 24 clusters only 20 are functioning. The details of the working clusters are given in Table 4.10

Table No.4.10 District-wise list of working clusters

District (No of clusters)	No s	Name of the cluster	Implementing Agency
Thiruvananthapuram (8)	1	Kozhode Cluster	Consortex
	2	Ramapuram Cluster	Consortex
	3	Travancore Cluster	Haneev
	4	Ooruttambalam Cluster	Hantex
	5	Swadeshi Cluster	Consortex
	6	Naveena Cluster	Consortex
	7	Thettivila Cluster	Hantex

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	8	Neyyatinkara Cluster	Consortex
Kollam(1)	1	Chathannoor Cluster	Hantex
Ernakulam (1)	1	Chennamangalam cluster	Hantex
Thrissur (1)	1	Kuthampully	Hantex
Palakkad (2)	1	Elappully Cluster	Elappully HWCS Ltd No.F-1019
	2	Palakkad cluster	Hanveev
Kozhikkode (2)	1	Vadakara Cluster	DIC KOzhikode
	2	Kozhikkode cluster	Hantex
Kannur (5)	1	Payyanoor, Cluster	WSC, Kannur
	2	ICON Cluster	Irinavu Weavers Co-operative Society
	3	Morazha, Cluster	Morazha WICS Ltd, No.C-5
	4	Kalliasseri Cluster	Kalliasseri WICS Ltd, No.C-12
	5	Chirakkal Cluster	Kannur Handloom Weavers Societies Consortium (HANCO)
Total (20)	20		

Source: Directorate of Handlooms and Textiles, GoK & Field Survey

Out of the four clusters which are not working 3 clusters (Nedumangad Cluster, Bhagavathi Nada, Krishna Mahila) are in Thiruvananthapuram District and the remaining one cluster (Sree Padam) in Palakkad. All the clusters became inactive because of the clash of interest by the members.

Out of Rs.1429 lacs sanctioned For 24 clusters under the Programme, the 13 sample clusters received an amount of Rs.771.71 lacs. This is 54 per cent of the total amount sanctioned for the state.

The details of the project cost approved for the 13 sample clusters and its sharing pattern is given in the Table No.4.11

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

Table No.4.11 Approved Project Cost for Sample Clusters (Rs.lacs)

No	Name of the Cluster	Sharing of Project Cost			TOTAL
		Central	State	IA/Ben	Total Project Cost
A	TVM				
1	Kozhode Cluster	51.72	7.53	0.47	59.72
2	Ramapuram Cluster	53.27	5.96	0.67	59.90
3	Travancore Cluster	52.11	6.48	1.40	60.00
4	Ooruttambalam Cluster	52.72	6.08	1.20	60.00
5	Swadeshi Cluster	53.32	5.66	0.67	59.65
6	Naveena Cluster	53.32	5.66	0.67	59.65
7	Thettivila Cluster	53.98	5.02	1.00	60.00
8	Neyyatinkara Cluster	53.75	5.78	0.45	59.99
	Total	424.19	48.17	6.53	478.91
	per cent	89	10	1	--
B	KNR				
1	Payyanoor Cluster	45.23	7.48	0.80	53.50
2	ICON Cluster	50.86	7.73	0.93	59.50
3	Morazha Cluster	52.38	6.62	0.90	59.90
4	Kalliasseri Cluster	52.48	6.52	0.90	59.90
5	Chirakkal Cluster	51.08	8.12	0.80	60.00
	Total	252.02	36.46	4.33	292.80
	per cent	86	12	1	--
	Grand Total (A+B)	676.21	84.63	10.86	771.71
	per cent as against the total received	88	11	1	100.00

Source: Directorate of Handlooms and Textiles, GoK & Field Survey

4.4.1 A Brief Profile of the Select Handloom Clusters

4.4.1.1 Kozhode Handloom Cluster

The Kozhode Handloom Weavers Cluster No. T2881/2007 was registered under the charitable societies Act. The Cluster consists of 325 weavers having their own looms in their homes and weavers in the co-operative fold working in common work shed. The members from 3 handloom co-operative societies in Thiruvananthapuram form part of this cluster.

The details of societies and its members who are part of the Kozhode cluster are given in Table 4.12

Table No. 4.12 Member details of Kozhode Cluster

Sl. No	Name of the society	Year of formation	No of members
1	Kozhode HWCS Ltd No.3567	1955	203
2	Janatha HWCS Ltd No.H IND (T) 324	1979	67
3	Athiyannoor Panchayath Model HWCS LTD No H (T) 309	1977	55
Total			325
<i>Source: Field Survey</i>			

The cluster is spread over the area of Kozhode and Athiyannoor in Neyyattinkara Taluk, Thiruvananthapuram The weavers under the Kozhode Cluster formed SHG's namely Sreemuruka Handloom Weavers Swayam Sahaya Sangam, Prabodhini Handloom Weavers Swayam Sahaya Sangam, Dhanalekshmi Handloom Weavers Swayam Sahaya Sangam to become self sufficient.

The total project cost, as approved by the DC Handlooms, GoI comes to Rs.59.72 lacs. The cluster implementing agency is Consortex. Consortex is a Handloom consortium of Nine Industrial Handloom weavers' co-operative

societies of Thiruvananthapuram District formed for providing marketing support to the member societies

4.4.1.2 Ramapuram Handloom Cluster

The Ramapuram Handloom Cluster No. T. 2684/07 registered under the charitable societies act, is located at Balaramapuram, Thiruvananthapuram. The Cluster consists of 310 weavers from the world famous Balaramapuram Handloom weavers tradition and they have looms either in their home or work under common work-shed of the societies. Now these weavers are brought to Ramapuram Handloom cluster and formed 7 weavers SHG's. The weavers in the cluster spread over Kallunadu, Anthiyoor, Aavinakuzhi, Pothichaplavila of Balaramapuram in Neyyatinkara Taluk, Thiruvananthapuram. The details of societies and its members of the Ramapuram Handloom Cluster are given in Table No. 4.13

Table No. 4.13 Member details of Ramapuram Cluster

#	Name of the Societies	Year of Registration	Cluster Members
1	Balaramapuram Pattika Jathi Pattika Varga Handloom Ind workers		91
2	Kallunadu HWCS, Primary	1957	38
3	Athiyanoor HWCS H(IND) T 309	1977	62
4	Pothichaplavila HWCS H(IND) T 309	1977	49
5	Aavinakuzhi HWCS	1957	70
Total			310
<i>Source: Field Survey</i>			

For the cluster an amount worth Rs.59.90 lacs was sanctioned as cluster assistance. The cluster implementing agency is Consortex

4.4.1.3 Travancore Handloom Cluster:

Travancore Handloom cluster covers the Kodangavila, Nellimoodu and Edathekonam of Neyyattinkara Taluk of Thiruvananthapuram. The beneficiaries of the cluster are 396 weavers of Table No.4.14

Table No. 4.14 Member details of **Travancore** Cluster

#	Name of the Societies	Year of Registration	Cluster Members
1	Kamukincode HWCS Society	1954	150
2	Punnakulam Society	1954	186
3	Sabarimuttam HCWS LTD	1987	60
Total			396
<i>Source: Field Survey</i>			

The Approved Project Cost is Rs. 60.00 lacs. Hanveev, Regional Office, Nemom, Thiruvananthapuram is the Implementing Agency for the Travancore Cluster

4.4.1.4 Ooruttambalam Handloom Cluster

Ooruttambalam Handloom Cluster comprises 498 members in the 9 primary handloom co-operative Societies in the Ooruttambalam handloom circle. It is a society registered under charitable Societies Act. The cluster covers members from the panchayaths of Malayinkizhil, Maranallur, Pallichal, and Balaramapuram of Thiruvananthapuram District. The rural artisan weavers of this areas are famous in making the Balaramapuram Sarees and Dothies, Kasavu Sarees of super fine cotton texture with handcrafted special designs, Matching Sets and Curtain materials.

The details of societies and its members of the Ooruttambalam Handloom Cluster are given in Table No.4.15

Table No. 4.15 Member details of **Ooruttambalam** Cluster

#	Name of the Societies	Year of Formation	Cluster Members
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Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

1	Narimamoodu HWSC Ltd No.3326,	1954	81
2	Visakhom Handloom Weavers Co-operative Society Ltd No. H.IND (T) 623	1996	28
3	Valiyarathal HWCS Ltd H.124	1956	83
4	Kumaranasan Memorial Handloom Weavers Co-operative Society H. IND (T) 384	1984	49
5	Vellappally HWCS Ltd H T 314	1976	73
6	Thempamuttam HWCS Ltd no:H. IND T.339	1980	65
7	Anchiravila Vanitha Handloom Weavers Co-operative Society Ltd T 634HWCS	1996	40
8	Gandhismaraka HWCS	1981	36
9	Ooruttambalam Handloom Weavers Co-operative Society Ltd No.3437	1954	43
Total			498
Source: Field Survey			

Approved Project Cost for the Ooruttambalam Handloom Cluster is Rs.60.00 lacs. Hantex, Thiruvananthapuram is the implementing agency.

4.4.1.5 Swadesi Handloom Cluster

The Swadeshi Handloom cluster. No. T 2671/07 was registered under the charitable Societies Act. The Swadeshi Handloom cluster consists of 350 traditional weavers Balaramapuram handloom weavers, Neyyatinkara Taluk, Thiruvananthapuram. It covers individual weavers having their own looms at home. weavers under master weavers and weavers in the co-operative fold working in common work shed. Now these weavers are brought in to Swadeshi Handloom cluster and formed seven BPL weavers self help group viz. Pulari Weavers Self Help Group, Probhodhini Weavers Self Help Group, Kairali Weavers Self Help Group, Sivasakthi Weavers Self Help Group, Gandhi Smaraka Weavers Self Help Group, Gurukrupa Weavers Self Help Group, Gurupadam Weavers Self Help Group. The details of the societies and members of the Swadeshi handloom clusters are given in Table No.4.16

Table No. 4.16 Member details of **Swadesi** Cluster

#	Name of the Societies	Year of Formation	Cluster Members
1	Keezhathil HWCS	1958	125
2	Karichal HWCS	1954	150
3	Kuttaninnathil HWCS	1957	75
Total			350
Source: Field Survey			

Approved Project Cost for the Swadesi Handloom Cluster is Rs. 59.65 lacs . The cluster implementing agency is Consortex.

4.4.1.6 Naveena Handloom Cluster

The Naveena Handloom Cluster No. 2706/07 was registered under the charitable societies act. It consists of 320 weavers from Balaramapuram area having own loom at home or weavers under master weavers. The details of the societies and its members of the cluster are given in Table No. 4.17

Table No. 4.17 Member details of **Naveena** Cluster

#	Name of the Societies	Year of Formation	Cluster Members
1	Arumathura HIWCS Ltd no 157	1957	245
2	Thirupuram Harijan Vanitha HWICS H(IND) T 382	1981	75
Total			320
Source: Field Survey			

They are now formed into five weavers self help group viz, Vaishnavi Weavers Self Help Group, Pulari Weavers Self Help Group, Sai Weavers Self Help Group, Kripa Weavers Self Help Group, Daya Weavers Self Help Group. Narivammodu, Neyyatinkara Taluk, Thiruvananthapuram.

The approved Project Cost for the Naveena handloom Cluster is Rs. 59.65 lacs. The cluster implementing agency is Consortex

4.4.1.7 Thettivila Handloom Cluster

Thettivila handloom cluster, consisting of 300 members in the 2 handloom co-operative societies, viz Sree Vellayani HWCS Ltd No.328, and Thettivila HWCS, is operating from Balaramapuram. The area of the cluster is spread over Kallooor, Peringamala and includes traditional weaving centres situated in Peringamala Trivandrum District. The village is near to Balaramapuram. The Table No.4.18 shows the membership details of the handloom cluster.

Table No. 4.18 Member details of **Thettivila** Cluster

#	Name of the Societies	Year of Formation	Cluster Members
1	Sree Vellayani HWCS Ltd No.328	1979	200
2	Thettivila HWCS	1996	100
	Total		300

Source: Field Survey

The approved Project Cost for Thettivila Handloom cluster is Rs. 60.00 lacs and Hantex is the implementing agency for the Cluster.

4.4.1.8 Neyyattinkara Handloom Cluster

The Neyyattinkara Handloom cluster (No.T. 1031/08) was registered under the Charitable Societies Act on 25.06.2008. It consists of 360 traditional weavers from Balaramapuram. The cluster covers individual weavers having their own looms in their home, weavers under master weavers and weavers in the Balaramapuram handloom industrial co-operative society working in common work shed. Now these weavers are brought under Neyyattinkara Handloom cluster and formed 9 weavers self help group out of which seven are women handloom weavers self help group. It covers the area of Anthiyoor, Ampellor Desam of Kottukal Village and No1,2,3 ward of Neyyattinkara

Municipality. The structure of the Neyyatinkara handloom cluster is given in Table No.4.19.

Table No. 4.19 Member details of **Neyyatinkara** Cluster

#	Name of the Societies	Year of Formation	Cluster Members
1	Individual weavers	---	150
2	SHG's	2007	180
3	Balaramapuram Handloom WCIS Ltd No.HIND (T) 258	1969	30
	Total		360

Source: Field Survey

The approved Project Cost for the Neyyatinkara Handloom Cluster is Rs. 59.99 lacs and its implementing agency is Consortex.

4.4.1.9 Payyannur Handloom Cluster

The Payyannur Handloom weavers consortium is registered under charitable society Act No. S. No. 1050/08, Act XXI of 1860 dated 10.12.2008. The cluster is located at Payyannur and covers grama Panchayaths of Karivellur, Kodakka, Kunhimangalam, Churuthazham, Panapuzha, Madayi and one Payyannur Municipality. The cluster has 8 general weavers Self Help Groups (SHGs); 8 B.PL. Vanitha Weavers SHGs and 5 Vanitha Weavers SHGs and covers 363 Handloom Weavers. 80 per cent of the members are women. These weavers are working mainly in the common work shed of the following weavers co-operative societies and nearby weavers house hold. The details of the members under the cluster is shown in Table No.4.20.

Table No. 4.20 Member details of **Payyannur** Cluster

SI No	Name of the Society	Year of Incorporation	No of Weavers
1	Payyannur Weavers co-operative Society	1947	25

Overview of the IHDS – CDP, Study Area and Select Handloom Clusters

	Ltd		
2	Theru-Mamabalam Weavers Industrial Co-operative Society Ltd	1983	46
3	Kunhimangalam Weavers Co-operative (P&S) Society Ltd	1967	46
4	Kulapuram Weavers Industrial (W.S) Co-operative Society Ltd	1995	50
5	Vellur Weavers co-operative (P& S) Society Ltd	1978	100
6	Karivallur Weavers co-operative Society Ltd	1948	48
7	Sasi Weavers co-operative Society Ltd	1965	48
		Total	363

Source: Field Survey

Approved Project Cost for the Cluster is Rs. 53.61 lacs. The Weavers Service Centre, under the Development Commissioner for Handlooms, Ministry of Textiles, Govt, of India, New Delhi, is the implementing agency for Payyannur Handloom Cluster. It is noticed that the cluster is widely spread across the district.

4.4.1.10 ICON Handloom Cluster

ICON handloom cluster is located in the Village of Irinavu, about 12 kms north of Kannur city. The products of these societies have been in the export market for more than 25 years, supplying to clients in USA, CANADA, Europe, Japan, Hong-Kong and Australia. The range of products includes cotton, Linen, silk, furniture cloth, curtain, cushion cover, Table cover, Made-

ups, Bed and Bath Linen, Kitchen Linen etc. The cluster consists of 363 members in the following 6 co-operative societies as shown in Table No. 4.21.

Table No. 4.21 Member details of ICON handloom Cluster

SI No	Name of the Society	Year of Incorporation	No of Weavers
1	Kairali Harijan Weavers Industrial (workshop) Society Ltd	1984	35
2	Kulathuvayil Weavers Industrial (workshop)Co-operative Society Ltd	1977	64
3	Pappinissery Weavers Industrial (workshop)Co-operative Society Ltd	1972	112
4	Kannapuram Weavers Industrial (workshop)Co-operative Society Ltd	1995	40
5	Kannapuram Weavers Co-operative P & S Society Ltd	1958	43
6	Taliparamba Weavers (workshop)Co-operative P & S Ltd	1938	69
	Total		363
<i>Source: Field Survey</i>			

The approved Project Cost for the Cluster is Rs. 59.51 lacs and its implementing agency is Irinau Handloom Weavers Societies Consortium, Kannur.

4.4.1.11 Morazha Handloom Cluster

Morazha handloom Cluster is formed with just one society viz Morazha Weavers Co-operative P & S Society Ltd, No F1291 with over 325 members. It is located at Morazha Village Taliparamba Taluk Kannur District, 16 kms north to Kannur City. The society has 5 production centres at Morazha, Ozhacrome, Kunharayal, Vellikil and Kadaberi. The society has got its own dye house

operating from Vellikel, Morazha and Kunharayal. The head office is situated at Morazha wherefrom the distribution is done. Almost 80 per cent of the workers are women. Currently the society has 275 active looms with over 400 workers. Approved Project Cost Cluster is Rs. 59.90 lacs. The implementing agency is Morazha Weavers Industrial Co-operative Society Ltd

4.4.1.12 Kalliassery Handloom Cluster

The Kalliassery Handloom Consortium, located at Kalliassery, Thaliparamba taluk, Kannur District is registered under the charitable societies Act XXI of 1860 with registration No.987/08. There are 2 weavers co-operative societies in this cluster viz, Kalliassery Weavers Industrial co-operative Society and Irinavu Weavers Industrial Co-operative Society, and cover 404 Handloom weavers as shown in Table No.4.22.

Table No. 4.22 Member details of Kalliassery Cluster

SI No	Name of the Society	Year of Incorporation of the Society	No of Weavers
1	Kalliassery Weavers Industrial co-operative Society	1963	200
2	Irinavu Weavers Industrial Society	1975	204
Total			404
<i>Source: Field Survey</i>			

The approved Project Cost for the Cluster is Rs. 59.90 lacs and its Implementing Agency is Kalliassery Weavers Industrial Co-operative Society whose secretary is the CDE for the cluster.

4.4.1.13 Chirakkal Handloom Cluster

The cluster consists of 7 co-operative societies with 497 members spread over 5 panchayaths, viz Mayyil, Chirakkal, Puzhathi, Azhikode, Pallikunnu. The cluster is famous for the use of organic cotton materials with herbal dyes, producing shirting, sarees, dress materials and bed spreads with markets in USA,UK, Israel, Australia, apart from the domestic market. The cluster consists of 497 members in 7 societies as shown in Table No.4.23.

Table No. 4.23 Member details of Chirakkal Cluster

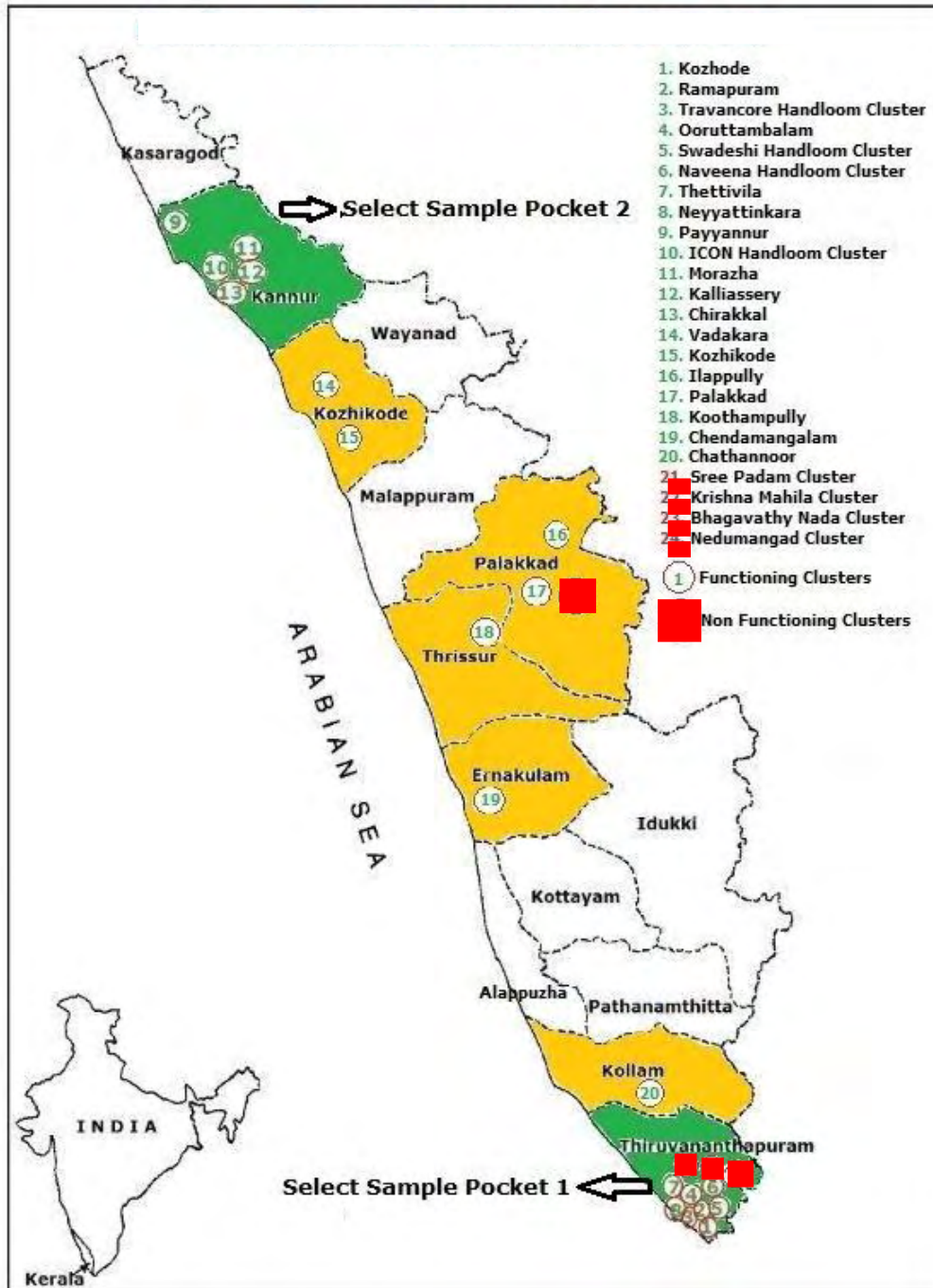
SI No	Name of the Society	Year of Incorporation	No of Weavers
1	Chirakkal Weavers Co-operative (P&S) Society Ltd	1946	200
2	Mayyil Weavers Industrial (Workshop) Co-operative Society Ltd	1977	160
3	Vanaja Weavers Industrial Co-operative Society Ltd	1969	25
4	Azhikkal Weavers (S&S) Industrial Co-operative Society Ltd	1977	37
5	Puzhathi Weavers Industrial (Workshop) Co-operative Society Ltd	1982	25
6	Royal Weavers co-operative Society Ltd	1958	25
7	Pallikkunnu Weavers co-operative Society Ltd	1983	25
	Total		497

Source: Field Survey

Approved Project Cost for the Cluster is Rs. 60.00 lacs. Kannur Weavers Societies Consortium is the implanting agency for Chirakkal handloom Cluster.

The Map No.4.3 shows the location of the sample handloom clusters sanctioned under IHDS-CDP in Kerala during 2006-07.

Map No. 4.3. Handloom Clusters in Kerala under IHDS-CDP



Source: Compiled.

Chapter 5

ANALYSIS

The competitiveness and growth of industries in a cluster environment depends to a great extent, on the interactions of similar sized firms and how they respond to changing markets. Their strength lies in clustering together with co-operative competition that opens up efficiency and flexibility gains, which individual units can rarely attain. A cluster is said to be a success, when it attains Collective Efficiency-which is the net outcome of both individual action and consciously pursued joint action. The Integrated Handloom Development Scheme (IHDS) was a similar attempt for the revival of the handloom sector. Instead of extending piece-meal financial help and assistance to individual units, the scheme provides a platform for the Government to extend support in a comprehensive manner to bigger Groups for the benefit of a larger population. It tries to facilitate sustainable development of handloom weavers located in and outside identified handloom clusters into a cohesive, self managing and competitive socio-economic unit.

The purpose of forming a cluster is to promote the economic and social well being of its members, mainly the weavers and allied workers. Most of these weavers are members in any of the handloom co-operative societies. Thus in the case of handloom clusters in Kerala, its members are both weavers as well as the societies (to which the handloom workers are members).

The pertinent question, here is whether cluster could improve the conditions of its members, both weavers as well as the co-operative societies by facilitating their sustainable development; whether cluster could make meaningful interventions for the revival of handloom co-operative societies in

Kerala; In the micro level, one should be able to answer the following relevant questions; “how many members have benefited from the Scheme and to what extent? What are the various channels and avenues available for them to better their performance? How many of them have effectively utilised these channels for the betterment of the performance and growth. How many members failed to receive any benefit and for what reasons? Finally, in what way the individual actions result in the betterment of the performance of the units, in specific and industry, in general.

This Chapter is divided into two parts; Part I institutional aspects and Part II Enterprise aspects. In Part-I, Institutional Analysis, an attempt is made to analyse whether the cluster-based approach helped the handloom co-operative societies in Kerala in overcoming operational weakness. If the cluster based approach really helped, to what extent and its implication vis-à-vis profitability and sustainability of operations of the handloom co-operative societies in Kerala is examined in Part II-Enterprises Aspects.

PART-I INSTITUTIONAL ANALYSIS

5.1 An Institutional Analysis

A Cluster can be said to be efficient if it allows its members to make effective use of resources such as small scale savings or family labour, for generating incomes that they could not get by operating in isolation. Here, the role of cluster does not end with conferring members the benefits of collective action, but should enable and equip them to continuously use resources at their disposal, optimally and efficiently.

This warrants for creation of a proper operational system within the societies, which in turn can take the handloom industry to ‘high road to growth’. This can be done by introducing certain cardinal interventions in the

Institutional aspects of the co-operative societies for eliminating the operational weaknesses that stand in the way of strengthening and streamlining the operational system.

The components of the operational system of the handloom industry consists of human force, raw material, technology & infrastructure, marketing, financial supply & co-ordinating entity. If cluster could put in place a proper operational system in these institutional areas, the cluster can be said to be efficient in meeting the long term growth challenges of the industry. In short, the efficacy of clusters in overcoming the operational weakness of the handloom co-operative societies in Kerala can be better analysed by understanding how best cluster could introduce changes in the operational system through the following six institutional factors;

- A Human force
- B Network of supplying the raw materials
- C Network of Marketing
- D Technology & Infrastructure Up-gradation
- E Financial supply and investment aid
- F Co-ordinating Entity

5.1.1 Human Force

Handloom sector for its survival requires a professional work force which consists mainly of weavers and allied workers who are directly involved in the production of handloom goods. Though designers, secretaries and governing body members of the co-operative societies, marketing agencies etc are stakeholders of the sector, and are involved in the entire value chain, their

role is limited in the absence of weavers and allied workers for the manufacture of handloom products.

In handloom industry, both the quantity and quality of products are directly linked with the tacit knowledge of the weavers, the training they get for weaving new and trendy designs and the infrastructure facilities provided to them, especially at work place. Therefore, Human force is of high importance in the industry, compared with other industries.

Here, under the head Human force, apart from analysing the profile of the existing workforce in the handloom sector, an attempt is made to evaluate how handloom clusters in Kerala help to retain expert and professional workforce and provide pleasant work environment for them, ie retention of human force. In short, the section throws open a quick view of the change occurred in the profile of the handloom industry, under Cluster Development Approach.

5.1.1.1 Trend in the Number of Registered Members in the Society

Members constitute the very foundation of any co-operative organisation. An individual takes membership in a co-operative society with the expectation of achieving certain benefit. If the society fails to provide the benefit expected by the member, he will turn passive and dormant. The membership position of the societies under CMS and N-CMS is given in Tables Nos.5.1 and 5.2 respectively

Table No. 5.1 Total Registered Members in the Cluster Member Societies (CMS)

No.	Name of the Society	Membersh ip position As on 31.03.2012
1	Kozhode HWCS Ltd No.3567	520
2	Janatha HWCS Ltd No.H IND (T) 324	405
3	Athiyanloor Panchayath Model HWCS LTD No H (T) 309	340
4	Kamukincode HWCS Society	331
5	Punnakulam Society	169
6	Narimamoodu HWSC Ltd No.3326,	174
7	Visakhom Handloom Weavers Co-operative Society Ltd No. H.IND (T) 623	83
8	Valiyarathal HWCS Ltd H.124	249
9	Kumaranasan Memorial Handloom Weavers Co-operative Society H. IND (T) 384	111
10	Vellappally HWCS Ltd H T 314	314
11	Thempamuttam HWCS Ltd no:H. IND T.339	186
12	Anchiravila Vanitha Handloom Weavers Co-operative Society Ltd T 634HWCS	49
13	Gandhismaraka HWCS	101
14	Ooruttambalam Handloom Weavers Co-operative Society Ltd No.3437	125
15	Keezhathil HWCS	179
16	Karichal HWCS	334
17	Kuttaninnathil HWCS	110
18	Sree Vellayani HWCS Ltd No.328	656
19	Thettivila HWCS	153
20	Balaramapuram Handloom WCIS Ltd No.HIND (T) 258	307

Chapter 5

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2 1	Chirakkal Weavers Co-operative P & S Society Ltd, No F1291, Chirakkal	318
2 2	The Mayyil Weavers Industrial (Workshop) Co-operative Society Ltd No.24, Mayyil	461
2 3	The Azhikkal Weavers Industrial (WS) co-operative Society Ltd No.20, Azhikkal	284
2 4	The Royal Weavers Industrial Co-operative Society Ltd No211, Alavil	247
2 5	Vanaja Weavers Ind Co-op Society Ltd, Panankavu, Chirakkal	242
2 6	Puzhathi Weavers Industrial (WS) Co-operative Society Ltd, No.HL IND © 27	166
2 7	Payyannur Weavers Co-operative (P&S) Society Ltd.NO1305, Payyannur	393
2 8	Theru-Mambalam Weavers Industrial Workshop Co-operative Society Ltd.NoHL IND © 42 , Payyannur	227
2 9	Kunhimangalam Weavers Co-operative (P&S) Society Ltd No.HL IND © 9, Kunhimangalam	282
3 0	Kulappuram Weavers Industrial (W/S) Co-operavtive Society Ltd No.HL IND © 48, Vilayamcode	110
3 1	Vellur Weavers Co-operative Society Ltd No.HL IND (C) 32 ,Vellur	271
3 2	Karivallur Weavers Co-operavive Society Ltd.No.F1391, Karivellur	423
3 3	Sasi Weavers Co-operative Society Ltd, HL (IND (C) 6, Karivellur	321
3 4	Thaliparamba Weavers Co-operative society, Thaliparamba	882
3 5	Pappinisseri Weavers Industrial (WS) Co-Operative Society, Pappinissery	378
3 6	Kolathuvayalil Weavers Industrial (WS) Co-Operative Society	256
3 7	Kairali Harijan Weavers Industrial Co-operative Society	237
3 8	Kannapuram Weavers Industrial (WS) Co-operative Society LTD.	156

39	Kannapuram Weavers Industrial (WS) Co-Operative P & S Society, No.H206, Cherukunnu	435
40	Morazha Weavers Co-operative P & S Society Ltd, No F1291, Chirakkal	437
41	The Kalliassery Weavers Indl Co-Op Society Ltd, Kannur	376
42	Irinave Weavers Industrila Co-operative Society Ltd	285
<i>Source: Balance Sheet of the Societies</i>		

Table No. 5.2 Total Registered Members in the Non-Cluster Member Societies (N-CMS)

	No	Name of the Society	Members hip position As on 31.03.2012
T V M	1	Peringamala Handloom Weavers Co-operative Society Ltd H 27	564
	2	Santhipuram Vanitha Handloom Weavers (Production Cum -Sale) Co-operative Society Ltd No. T.630	115
	3	Kalliyoor Handloom Weavers (Production -cum Sale) Co-operative Society Ltd No. 3392	554
	4	Ambadi Vanitha Handloom Weavers Co-operative Society Ltd.No. H.IND (T) 644	142
	5	Maramangalam Handloom Weavers Co-operative Society Ltd H.177	191
K A N N U R	6	Kuthupramba Weavers Co-operative Society Ltd No.L.L 85	682
	7	Pinarayi Weavers Industrial (Work Shop) Co-Op Society Ltd No.HL IND © 25	419
	8	Loknath Weavers Industrial Co-operative Society Ltd No. LL 99	84
	9	Kausallya Weavers Industrial Co-operative Society Ltd. LL 98	185
	10	The Chowa Weavers P & S Co-operative Society Ltd LL 76	577
<i>Source: Balance Sheet of the Societies</i>			

The year-on-year (y-o-y) details of the total registered members in the CMS and N-CMS from 2005 to 2012 are given in Table No. 5.3

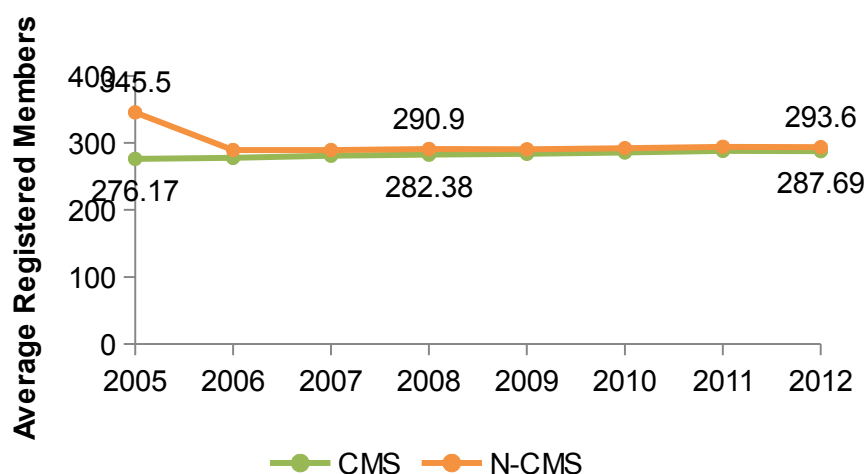
Table No 5.3 Change in the no. of Registered Members of the Sample Handloom Co-operative Societies (2005-2012)

		YEAR									
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
TOTAL	CMS	11599	11660	11795	11860	11917	12000	12100	12083	2.25	1.88
	MSN	3455	2894	2893	2909	2904	2921	2942	2936	-15.8	0.93
AVERAGE	CMS	276.2	277.6	280.8	282.4	283.7	285.7	288.1	287.7	--	--
	MSN	345.5	289.4	289.3	290.9	290.4	292.1	294.2	293.6	--	--

Source: Audited Balance Sheet of the Societies

In the case of CMS, for the number of registered members had increased by 2.25 percent the period from 2005 to 2008 and for the period from 2008 to 2012, it increased only by 1.88 percent by 2012. In the case of N-CMS, there was decrease in the registered members and it was higher during the period from 2005 to 2008 (-16 percent). However, the decline has come down to just 0.93 percent during the period from 2008 to 2012 period. This is shown in Figure No. 5.1

Figure No.5.1 Change in the av. no of Registered Members from 2005 to 2012



From the pre-intervention year to the post-intervention year, the number of registered members in the society has come down as shown in Table No. 5.4

Table No.5.4 Comparison of percentage Change of Registered Members in the Sample Societies from Pre- Intervention Year(2008) to Post Intervention Year (2012)

percent Change	CMS		N-CMS	
	Frequency	percent	Frequency	percent
Reduced cases	6	11.8	2	20.00
No Change	15	29.4	6	60.00
0-10 percent	15	29.4	1	10.00
10 percent >	6	11.8	1	10.00
DNPS	9	17.66	0	0.00
	51	100.00	10	100.00

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

In the case of CMS, the study showed that only in the case of 41 percent of the CMS, there is increase in registered members. In the case of 12 percent of societies, the number of membership had come down and in 29 percent, there was no change. And in the case of N-CMS, the membership had

increased only in the case of 20 percent of the societies surveyed. In the case of 60 percent of the societies, there is no change and in the case of 20 percent, there was decrease in the number of registered members as well.

5.1.1.2 Trend in the Number of Active/Working Members in the Society

In a co-operative society, all the registered members need not be its active workers/members and a decrease in the number of registered members need not necessarily indicate downward trend in the operations of the society. It is the active, working members who decide the fortune and prospects of a society, and therefore any downward trend in the number of active working member is a cause of concern for societies. Table No.5.5 shows that the y-o-y details of the number of active working members from 2005 to 2012 period.

Table No.5.5 Change in the no. of Working Members of the Sample Handloom Co-operative Societies (2005-2012)

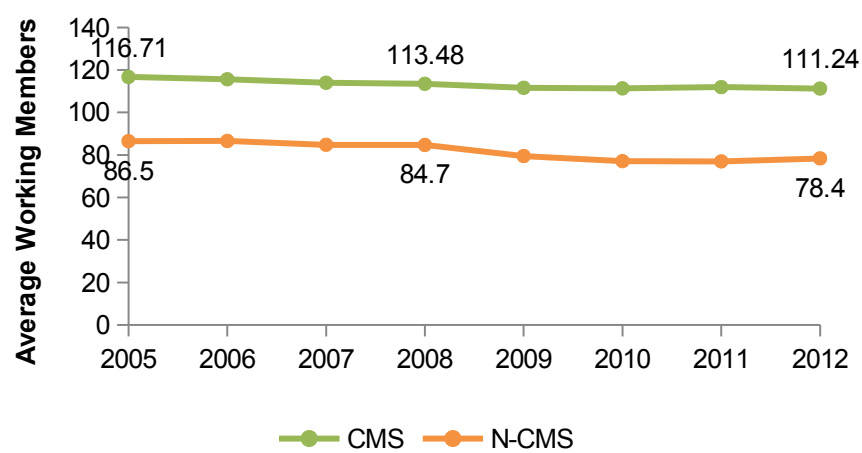
		YEAR							ape	ape	
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11			31.03.12
TOTAL	CMS	4902	4856	4787	4766	4687	4676	4700	4672	-2.77	-1.97
	N-CMS	865	866	848	847	795	771	770	784	-2.08	-7.44
AVERAGE	CMS	116.7	115.6	114.0	113.5	111.6	111.3	111.9	111.2	--	--
	N-CMS	86.5	86.6	84.8	84.7	79.5	77.1	77.0	78.4	--	--

Source: Audited Balance Sheet of the Societies

In the case of CMS, the total working members which was 4766 in 2008 had come down to 4672 in 2012, and the average working members had come down by 1.97 percent by 2012. The decrease is noticed much higher in N-CMS, where between the two periods of 2008 & 2012, the average working

members per society had come down by 7.44 percent. This is shown in the Figure 5.2

Figure No.5.2 Change in the av. No. of Working Members from 2005-2012



The rate of decrease in N-CMS is increasing faster than CMS, since 2008. The survey results also show a declining trend in the number of active working members in the handloom societies under study. The Table 5.6 shows the survey results.

Table No.5.6 Comparison of percentage Change of Working Members in the Sample Societies from Pre-Intervention Year(2008) to Post Intervention Year (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	16	31.4	6	60.00
No Change	17	33.3	2	20.00
0-10 percent	7	13.7	0	00.00
10 percent >	2	3.9	2	20.00

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DNPS	9	17.6	0	0.00
Total	51	100.00	10	100.00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent Source: Balance Sheet of the Societies				

From the table 5.6, it is observed that there is decrease in the number of working members by 31 percent of the CMS and 60 percent of N-CMS, indicating that the decrease was higher in N-CMS. Increase in the number of working members were noticed only in 17 percent of the societies.

5.1.1.3 Trend in the Number of Working Looms in the Society

One of the important growth indicators as far as handloom industry is concerned is the number of working looms. An increase in working looms indicates that the sector is lucrative enough to attract investment. A reduction in the number of working looms indicates either the number of working members is coming down or there is not much money to modernise the obsolete looms or the sector is not worth investing. Since governments had been pursuing with various schemes aimed at modernisation of existing looms, the only main reason attributed for the reduction in number of working loom is lack of weavers. The y-o-y change in the working looms of the sample societies are given in Table No.5.7

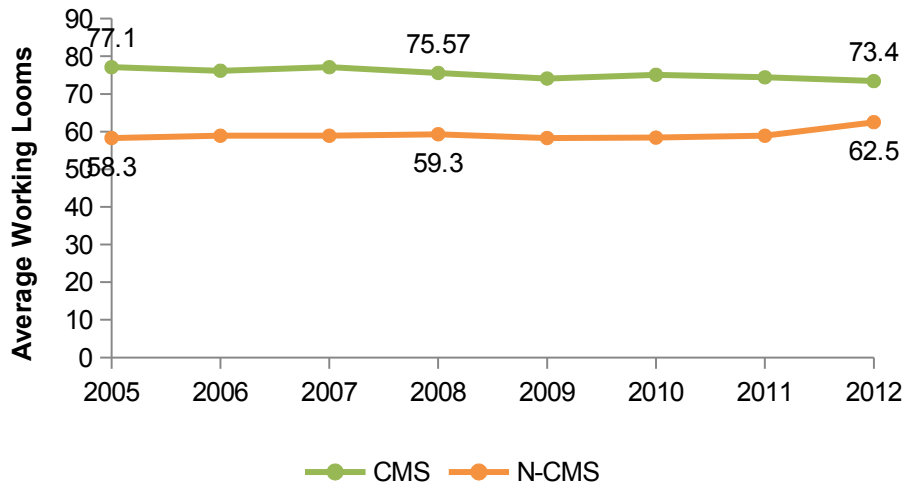
Table No.5.7 Change in the no. of Working Looms of the Sample Handloom Co-operative Societies (2005-2012)

		Year								p	p
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
TOTAL	N- CMS	32	319	323	3174	3112	315	312	308	-	-
	CMS	58	589	589	593	583	584	589	625	1.72	5.4

AVERAGE	CMS	77.1	76.2	77.1	75.6	74.1	75.1	74.4	73.4	--	--
	N-CMS	58.1	58.9	58.1	59.3	58.3	58.4	58.9	62.5	--	--
<i>Source: Audited Balance Sheet of the Societies</i>											

The study revealed that there is a decrease in the number of working looms in the case of CMS between the two period of pre-cluster intervention and post-cluster intervention. In the case of CMS, the decrease which was just 1.98 percent during the period from 2005 to 2008 had increased by 2.78 percent in 2008- 2012 period. However in the case of N-CMS, the number of working looms is increasing by 1.72 percent for the period of 2005 to 2008 and 5.4 percent for 2008- 2012 period. The Figure No.5.3 shows the y-o-y trend clearly.

Figure No.5.3 Change in the av. No. of Working Looms from 2005 to 2012



5.1.1.4 Composition of the Society

As already mentioned, cottage type and factory type are two types of societies in the handloom industry. The factory type society is said to have some definite advantage over cottage type as they operate under one roof and hence have better control over resources, leading to better productivity. It is rather easy for implementing any governmental scheme and packages in factory type societies. As on March, 2009, there were 469 registered Primary Handloom Weavers Co-operative Societies in the State of which 117 were factory type and 352 were Cottage type societies, ie 75 percent are Cottage type societies. The study revealed that more factory type societies have come forward to take advantage of the cluster scheme than the cottage type factories and the details are shown in the Table No. 5.8.

Table No.5.8 Composition of the Society

Type of society	CMS		N-CMS	
	Frequency	percent age	Frequency	percent age
Factory	23	45.10	5	50.00
Cottage	19	37.25	5	50.00
DNPS	9	17.65	0	0.00
Total	51	100.00	10	100.00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Balance Sheet of the Societies & Field Survey</i>				

Out of the 51 societies in the cluster surveyed, 45 percent are of factory type societies and cottage type societies are only 37.25 percent . The study also revealed that in the case of taking advantage of the of IHDS, factory type societies are well ahead of cottage type societies.

It is said that most of the cottage type industries are family run, under the clutches of a few families / family members. Some such societies are not even working. Some are working only seasonally, to take advantage of rebates and subsidies. Most of such societies keep themselves away from such developmental initiatives. Therefore, it is only better, if the cottage type societies are encouraged to move to factory type societies as the benefit of any governmental intervention can be better implemented.

5.1.1.5 Trend in the Age of the Society

Generally in handloom sector, the age and level of technological obsolescence go hand in hand. Table no. 5.9 shows the trend in the age of the handloom co-operative societies under study.

Table No.5.9 Year of Registration of the Society

Age in Years	CMS		N- CMS	
	F	P	F	P
<15	0	0.00	0	0.00
15 - 30	6	11.76	3	30.00
> 30	36	70.59	7	70.00
DNPS	9	17.65	0	0.00
Total	51	100.00	10	100.00

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Balance Sheet of the Societies & Field Survey

The study revealed that 85 percent of the societies in the Cluster Members Societies (CMS) and 70 percent of the societies in non-cluster member societies (N-CMS) are above 30 years of age, and none with less than 15 years of age, indicating that the handloom sector is not a lucrative sector for investment, over the past few years, or last few decades.

Older the societies, higher the level of technological obsolescence. On the contrary, new registration of societies, in the normal course implies a higher business prospects of the sector, and vice versa. In the case of handloom co-operative societies in Kerala, new societies are not being registered, implying that the sector is not lucrative or attractive enough for new investment.

5.1.1.6 No of Persons in the Household Employed in Handloom

In the absence of alternate job opportunities in the past, most of the members in the family actively involved in the handloom related works. This made the work a family job, perpetuating or rather accommodating unemployment and underemployment in the sector.

The study revealed that only for 25 percent of the cases of CMW, more than one person from the household is engaged in handloom sector. For 60 percent, only one person from the home is engaged in the industry. In the case

of N-CMW, the study showed that only one person is engaged in the industry for 70 percent. Table No.5.10 shows the situation clearly.

Table No.5.10 Number of persons in the household employed in handloom in 2012

Persons employed	CMW		N-CMW	
	F	P	F	P
One	287	59.7	69	71.9
Two	122	25.4	25	26.0
More than two	9	1.9	2	2.1
DNPS	63	13.1	0	0.0
Total	481	100.0	96	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent				
<i>Source: Field Survey</i>				

It is worthwhile here to note that the industry was once blended with weaver families and every member in the household used to contribute, in whatever way possible. Less number of people in the family, and attractive job opportunities in other sectors and low salary in the handloom sector etc are attributed as the reasons for less number of people from the same family. The positive aspect of such a change is that it reduced the underemployment that was prevalent in the handloom sector a few decades back and we can safely say that underemployment is less in traditional industries now, compared with the past.

5.1.1.7 Handloom Sector as an Occupation

Handloom industry is considered as one of the traditional industries in India, because, the job is done by the families for generations. In the case of Kerala Handloom, the industry can no longer be called a “traditional industry”, as families who were traditionally employed in the sector are fast disappearing from the scenario. In the case of Thiruvananthapuram a recent study by Crown, Robin and Kamath, Anand, (2012) also showed that the Salayar families in Balaramapuram had come down from 3000 to 100. This is true because unlike

in the past, job opportunities, both within and outside the state are higher today. Further, advancement in education has drastically changed the landscape of the job market for people in Kerala, offering a number of alternative employment avenues at better wages. The trend in the job market in handloom industry is shown in Table No. 5.11.

Table No.5.11 Reasons for adopting handloom occupation

Reasons	CMW		N-CMW	
	Frequency	percent	Frequency	percent
A good Occupation	180	37.4	32	33.3
Full-time				
Part-time Job of Choice	226	47.0	58	60.4
A lucrative Job	0	0.0	4	4.2
Others	12	2.5	2	2.1
DNPS	63	13.1	0	0.0
Total	481	100.0	96	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent Source: Field Survey				

In the case of the 481 weavers surveyed, only for 49 percent the job is full time. For others it is a part time affair. Moreover, it is interesting here to note that of late new people are not coming to the sector. This is evident from Table 5.12 that the weavers with less than 5 years of experience are only 2 percent .

Table No.5.12 Years of Experience of Weavers - 2012

Experience	CMW		N-CMW	
	Frequency	percent	Frequency	percent
Below 5 Years	22	4.6	4	4.2
5 - 10 Years	65	13.5	18	18.8
10 - 15 Years	119	24.7	26	27.1
15 - 20 Years	212	44.1	48	50.0
DNPS	63	13.1	0	0.0
Total	481	100.0	96	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent				

Source: Field Survey

This implies that new people are not getting attracted to this job. The labour market in handloom sector which was occupationally linked to castes and families, moved away and has become market determined. However the depressant side is that new people are not getting attracted to the job, due to the lower remuneration it offers compared with the other occupations, which are most often unskilled/semi skilled. Thus the industry is said to be in a peculiar situation, where it is neither a traditional industry accommodating large scale employment nor has it moved up in the ladder to join the ‘Core Sectors’/ ‘Emerging sectors’ of the economy where market forces determines the supply and demand for labour and wages. Other things remaining the same, Sectors which offer a higher return on investment is normally considered as core sector.

5.1.1.8 Wages & Other Emoluments

One of the reasons for large number of job attrition in the handloom sector was due to the low remuneration it fetched for the work. The average remuneration of a handloom worker varies from Rs.50/- day to Rs.250/- per day. Study revealed that 25.57 percent of the weavers are getting an average salary of ranging between Rs.50/-to Rs.100/- per day. The workers are mainly part-time workers who spend their leisure time for an extra money. The survey results on comparison between the two types of sample societies on the average Wage per Day of its Weavers are shown in Table No.5.13.

Table No.5.13 Comparison of the Average Wage per Day per Weaver

Wage Range	CMW				N-CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Rs. 50 – 100	12 3	25.57	6	1.25	15	15.63	7	7.29

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Rs. 100 – 150	20 1	41.79	89	18.5	29	30.21	38	39.5 8
Rs. 150 – 200	68	14.14	248	51.56	37	38.54	32	33.3 3
Rs. 200 – 250	19	3.95	46	9.56	12	12.50	16	16.6 7
>250	7	1.46	29	6.03	3	3.13	3	3.13
DNPS	63	13.1	63	13.1	0	0.00	0	0.00
Total	48 1	100	481	100	96	100.0 0	96	100. 00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

The study also revealed that the number of weavers who drew a wage below Rs.100/- had come down from 25.57 percent in 2008 to 1.25 percent in 2012, workers getting Rs.150/- to Rs.200/- per day has increased from 14.14 percent to 51.56 percent and Rs.200/- to Rs.250/- per day has also increased from 3.95 percent to 9.56 percent by 2012. The regular full time workers get a higher wage. In the case of N-CMS, though there is improvement in the wage the weavers get, and the improvement higher in CMS.

So there is an overall improvement towards a higher wage rate after the intervention. The study also revealed that N-CMW is not getting wages that they used get in 2008. This is reflected in the change in the amount spent by the sample societies on salary and other emoluments, a comparison of which is shown in Table No.5.14

Table 5.14 Comparison of the percentage Change in the Amount of Wages & Emoluments paid by Sample Societies from Pre- Intervention Year(2008) to Post Intervention Year (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	12	23.5	8	80.00
No Change	0	0	0	0.00
0-25 percent	13	25.5	1	10.00

25-50 percent	8	15.7	0	10.00
50 percent >	9	17.65	1	10.00
DNPS	9	17.65	0	0.00
	51	100.00	10	100.00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Balance Sheet of the Societies & Field Survey</i>				

From the table, it may be noted that the amount spent on salary and other emoluments have come down or reduced in the case of 80 percent of the societies under N-CMS. The declining phenomenon is attributed to the low market on account of economic recession of 2009 period. In the case of CMS, the amount spent by the societies has increased considerably. This is attributed to the higher product range and the resultant widening of the market which is shown under a separate head in the study under Network for Marketing.

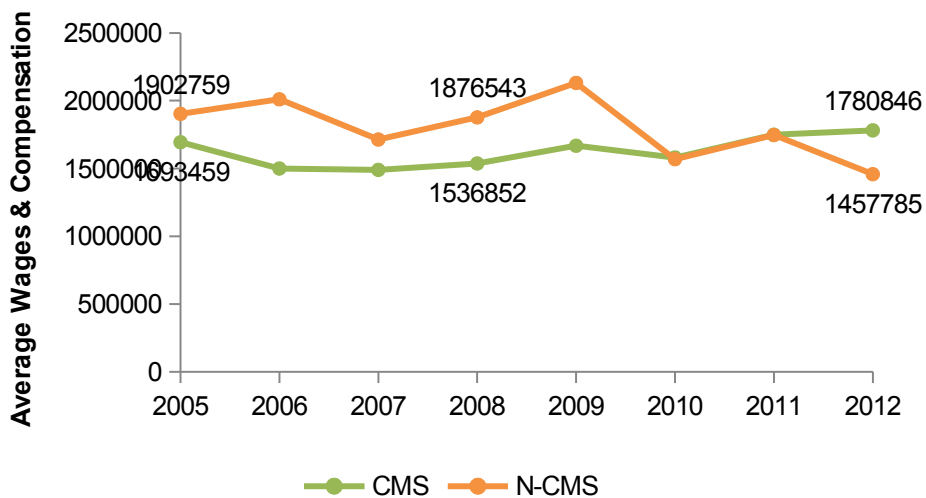
This is well reflected in the total amount spent by the societies for wages and other emoluments during the period from 2005 to 2012, as shown in Table No.5.15

Table No.5.15 Comparison of the amount spent on Wages and Compensation by Sample handloom co-operative societies from 2005 to 2012 (Rs.)

		Year								P	P
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
FAVERAGOTAL	MSN-MC	71125	62985	62558	64547	70034	66396	73436	74795	-	15.8
	MSN-MSN	19027	20099	17133	18765	21310	15685	17465	14577	-	-
		590	749	628	427	096	561	029	849	1.38	22.3
FAVERAGOTAL	MSN-SCM	16934	14996	14894	15368	16674	15808	17484	17808	--	--
	MSN-MSN	59	43	89	52	99	67	87	46	--	--
		19027	20099	17133	18765	21310	15685	17465	14577	--	--
		59	75	63	43	10	56	03	85	--	--
<i>Source: Audited Balance Sheet of the Societies</i>											

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, ie the amount spent by N-CMS were higher than CMS by 22 percent 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 percent increase over 2008.

Figure 5.4 Wages & Compensation paid by societies from 2005 to 2012 (Rs.)



The decrease in the lower wages and the resultant lower amount spent on wages and other emoluments by the societies is mainly attributed to the sharp decline in turnover, both domestic and export market of the N-CMS during the period from 2009 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 Kannur. The failure of N-CMS to come out with better designs and new products also added further blow to the downfall of the turnover and the resultant wages.

5.1.1.9 Job Security

After the introduction of clusters, the workers find 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. The survey results on the job security is shown in Table No. 5.16.

Table No.5.16 Comparison of the average working days per year received by weavers

Average Working Days	CMW				N-CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Upto 150 days	70	14.6	41	8.5	8	8.3	0	0.00
150-175	247	51.4	201	41.8	32	33.3	40	41.67
175-200	67	13.9	122	25.4	36	37.5	42	43.75
200-225	32	6.7	46	9.6	17	17.7	8	8.33
>225	2	0.4	8	1.7	3	3.1	6	6.25
DNPS	63	13.1	63	13.1	0	0.0	0	0.00
Total	481	100.0	481	100.0	96	100.0	96	100.00

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

This is evident from the fact that workers who feel a job security has increased from 8.5 percent in 2008 to 13.3 percent in 2012. They argue that apart from salary, they get PF, Gratuity, Overtime Allowance, Medical Insurance (Health Card), Need based loans etc. Table 5.17 shows the survey results on the Opinion of weavers on Job Security.

Table No.5.17 Opinion of weavers on Job Security

	CMS	N- CMS
--	-----	--------

Job Security	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	41	8.5	64	13.3	29	30.2	25	26.0
No	377	78.4	354	73.6	67	69.8	71	74.0
DNPS	63	13.1	63	13.1	0	0.0	0	0.0
Total	481	91.5	481	100.0	96	100.0	96	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

Though there is some increase in the wages and the fringe benefits that the weavers get, more than 70 percent of the weavers still consider that there is no job security in the handloom sector, indicating that the sector is still not able to give full time employment to the workers at an attractive wage. Only if the job security in the sector is improved, new people will get attracted to the sector. This again is linked with the demand for the product that they make and its market and increasing the linkages.

5.1.1.10 Training Programmes

Training and skill up-gradation are critical inputs for handloom weavers/workers to adapt to produce diversified products with improved quality to meet changing market trends. Training programmes improve their skill sets and enhance employability, making the unskilled and semi skilled workers to skilled workers, enhancing their employability. This would, in a long run, result in a set of labor force with tacit knowledge and regional embeddings, producing a better products and perhaps a higher quantity. Agencies like Weavers Service Center, IIHT, EDI provided both in-house and field-level training programmes to the weavers. The training programme ranged from 3 days, 7 days 15 days and 30 days depending upon the availability of weavers. The training were mainly in the areas of Dyeing, design workshop and technology transfer.

The survey revealed that in the pre-intervention period only 17 percent of the weavers had got the opportunity to attend such training programmes which is shown in Table No. 5.18.

Table No.5.18 Comparison of the No. of weavers who attended Training Programme

Training Programme	CMW				N- CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Attended	70	14.6	379	78.8	19	20.43	41	42.71
Not Attended	348	72.3	39	8.1	74	79.57	55	57.29
DNPS	63	13.1	63	13.1	0	0.00	0	0.00
Total	481	100.0	481	100.0	93	100.00	96	100.00

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

The cluster could provide training and skill upgradation to about 80 percent of the weavers. However in the case of N-CMW only 57.29 percent of the workers got opportunity for attending training programmes. This can also be understood in a different way from survey results of the societies which had organised training. Table 5.19 shows the trend noted from the survey.

Table No.5.19 Comparison of Training Programme organised by sample societies

Training Programme Attended	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
At least one	4	7.8	29	56.9	0	0.0	2	20.0
More than one	0	0	11	21.6	0	0.0	0	0.0
Not even one	38	74.5	2	3.9	10	100.0	8	80.0
DNPS	9	17.0	9	17.6	0	0.0	0	0.0

		6						
Total	51	10 0	51	100.0	10	100. 0	10	100 .0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

In the case of CMS, 78 percent of the societies had organised training programme for its members, where as in the case of N-CMS only 20 percent of the societies had done so. The increase in high is CMS because of the better co-ordination by the CDE for such training programmes.

5.1.1.11 Exposure Visits

Kerala labors are generally said to be change resistant, and are organised especially against the introduction of new machines in the production process. One of the tools implemented under the cluster development programme to overcome such phenomenon is the introduction of exposure visits. The objective of the programme is to sensitize people about the changes in the textile sector by facilitating visit to other clusters or handloom societies. This is expected to make easy flow of knowledge transfer. It helps members to have clarity and confidence and provides an opportunity to experience and experiment the new methods. It also provides an opportunity to interact with his peers and get motivated to bring changes.

Table No. 5.20 shows the survey results of number of weavers who had undertaken the awareness and exposure visits.

Table No.5.20 Exposure Visits by workers-a Comparison

Exposure Visits	CMW				N-CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Visited	37	7.7	324	67.4	6	6.25	11	11.46
Not Visited	381	79.2	94	19.5	90	93.7	85	88.54
DNPS	63	13.1	63	13.1	0	0	0	0.00

Total	481	100. 0	481	100.0	96	100	96	100.00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

The survey on the handloom workers revealed that 67 percent in the CMW attended exposure visits. In the case of N-CMW, it is just 11 percent. It is worth mentioning here that just 7 percent of the weavers in CMS had the opportunity to attend exposure visits in the pre-intervention period.

As far as the handloom co-operative societies which joined the cluster are concerned, it offered them an increased opportunity to arrange exposure visits to its members. The survey results are shown in Table No. 5.21.

Table 5.21 Comparison of Exposure Visit organised by societies

Exposure Visit	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Visited	0	0.0	40	78.4	0	0.0	0	0.0
Not visited	42	82.4	2	3.9	10	100. 0	10	100.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100. 0	51	100.0	10	100. 0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

The study revealed that due to the cluster programme close to 80 percent of the handloom co-operative societies could organize such exposure visits, whereas none of the N-CMS could organise exposure visits. The access to exposure visits is higher for weavers and societies under the Cluster, mainly on account of the Cluster scheme participation.

5.1.1.12 New Designs and Products

The introduction of new designs and products have an implication with human force in the society as it shows their adaptability to the changing need of the customers and their willingness for experiments with new methods, their realization for the need for adoption of new products etc. Table No. 5.22 shows the result of the survey conducted on the sample societies on the new designs introduced by them.

Table No.5.22 Comparison of the New Designs introduced by societies

New Designs	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Introduced	18	35.29	42	82.4	1	10	4	40.0
Not Introduced	24	47.06	0	0.0	9	90	6	60.0
DNPS	9	17.65	9	17.6	0	0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

It may be noted that all the societies tried new designs during the period and the highest number of new products was introduced by the Kalliassery Weavers Indl Co-op. Society Ltd, Kannur under the Kalliassery Handloom Cluster (28 Nos) .

The survey results on the new designs introduced were supported and validated with the data on the number of new products brought out by the societies during these periods, as new designs normally lead to the introduction of new products. The y-o-y change in the new designs introduced by the societies from 2005 to 2012 is given in Table No.5.23.

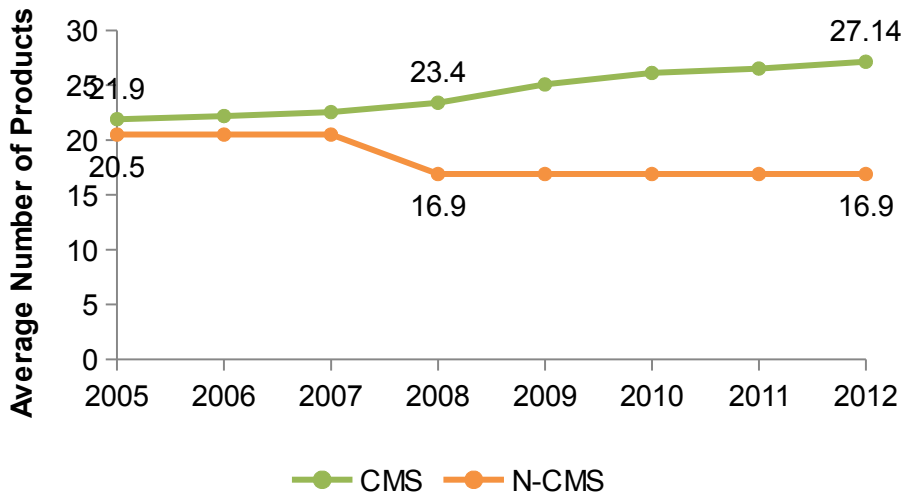
Table No. 5.23 Year-wise Comparison of the Change in no of new products in societies from 2005 to 2012

		Year									
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12	frompercent	frompercent
AVERAGE	CMS	920	932	947	983	1053	1097	1114	1140	6.8	15.9
	N-CMS	205	205	205	169	169	169	169	169	-	0.00
AVERAGE	CMS	21.9	22.2	22.5	23.4	25.1	26.1	26.5	27.1	--	--
	N-CMS	20.5	20.5	20.5	16.9	16.9	16.9	16.9	16.9	--	--

Source: Audited Balance Sheet of the Societies

The study found that from the period from 2008 to 2012 the CMS could come out with an average of 15 new products, whereas the increase was only 6.85 percent from the period from 2005 to 2008. At the same time, there is sharp decline in the products being brought out from the N-CMS. This has come down to 17.56 percent from 2005 to 2008 and from 2008 to 2012, new products are not coming from these societies. The Figure No.5.5 shows the y-o-y movement clearly;

Figure 5.5 Average no. of Products of the societies from 2005 to 2012



The analysis of the change in the number of new products introduced by the society in the Post Intervention Year (2012) is shown in Table No.5.24

Table No. 5.24 Comparison of Change in number of new products introduced by the societies between Pre- Intervention Year(2008) to Post Intervention Year (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	4	7.8	0	0
No Change	11	21.6	10	10
0-50 percent	19	37.3	0	0
50 percent >	8	15.7	0	0
DNPS	9	17.6	0	0
	51	100.0	10	100

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
 Source: Field Survey

There is increase in the new products in the case of 53 percent of CMS. In the case of N-CMS, the study revealed no society has come out with new products.

The reduction in the number of new products in the N-CMS is mainly due to the stopping of production of certain items for want of export orders. This shows that the capacity of the CMS to come out with new products are higher compared to the N-CMS. It also shows that the CMS are able to withstand external setbacks, by swiftly moving with better products in an expanded local market.

5.1.1.13 Output per Worker

The very purpose of introducing the cluster based approach in the handloom sector is to increase productivity and reduce the product cost. One of the ways by which cost can be reduced is by increasing the productivity. Productivity is said to increase, when the output per worker is increased at a unit cost of workers. Exposure visits, training programmes, skill up-gradation etc are introduced with a view to increasing the output per worker. The output per worker is obtained by total production divided by the number of workers in the society. The y-o-y movement from 2005 to 2012 for the output per worker in the sample handloom co-operative societies are given in Table 5.25 .

Table No.5.25 Comparison of Change in Output per worker (Rs) in the societies from 2005 to 2012

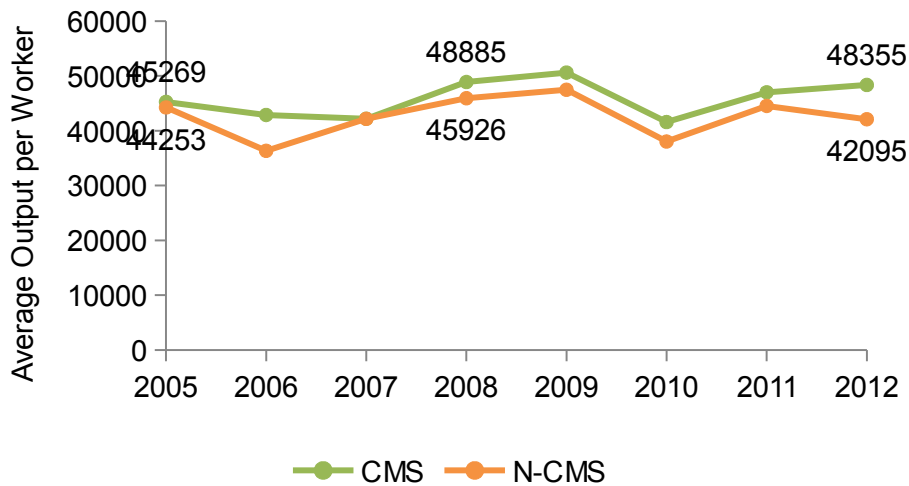
	Year									from percent	from percent
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
N C		45269	42876	42196	48885	50612	41579	47016	48355	7.99	-1.09

TOT	Z	44253	36335	42160	45926	47470	38027	44530	42095	3.78	-8.34
<i>Source: Audited Balance Sheet of the Societies</i>											

The study revealed that from 2005 to 2008, the output per worker in CMS had increased by 8 percent and for the period from 2008 to 2012, it came down by 1 percent. However, in the case of N-CMS the out per worker is falling at a rate higher (8.34 percent) than the CMS (1 percent). The output per worker during the pre-cluster period was Rs. 48885/- for CMW. This has come down to Rs. 48355/- in the post-cluster period. The average output per worker for N-CMW which stood at Rs. 45926/- in 2009 has come down to Rs.42095/-.

The Figure 5.6 shows the changes in the output per worker for both CMS and N-CMS during the pre and post intervention years;

Figure 5.6 Average Output per Worker from 2005 to 2012



Further analysis of the changes in the output per worker of the individual societies revealed that the decrease in the output per worker of CMS is mainly

due to decrease in output per worker of 32 percent of CMS (see Table No. 5.26). This reduction in the output per worker is higher to set off the increase out per worker in other societies. It is true in the case of N-CMS too. In the case of N-CMS, though there is increase in the output per worker 50 percent of the societies, the average output per worker has not increased as there is reduction in output per worker for 50 percent of the societies as shown in Table No.5.26

Table No.5.26 Comparison of the percent Change in the Average Output per worker per society in the Post Intervention Year (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	16	31.4	5	50
No Change	0	0	0	0
0-50 percent	16	31.4	5	50
50 percent >	10	19.6	5	0
DNPS	9	17.6	0	0
Total	51	100.0	10	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent				
<i>Source: Field Survey t</i>				

With the introduction of exposure visits training programmes, skill up-gradation, etc the output worker for the CMS has remained stable and has started improving over the years and the Output per workers is expected only to increase in the years to come, due to the intervention made through training programme and exposure visits etc.

The study revealed that the cluster based approach helped, though in a small way, in improving on many fronts for a sustainable development of the Human force.

5.1.2 Network of Supplying the Raw Materials

The handloom industry in Kerala predominantly uses cotton (yarn) as raw material. A few combinations of fibres like viscose and polyester are also used. Yarn is procured mostly in the hank form. Some of co-operative societies also procure yarn in the form of readymade warps from Tamilnadu. Yarn is procured from Hantex, Hanveev, National Handloom Development Corporation (NHDC) or directly from the mill sector. Timely procurement of adequate raw material is very important for the smooth production flow. The access to raw material sources, the ease in doing business with them and the time required for the delivery of the raw material, its cost, quality etc matters most in handloom sector. It also helps in organizing and scheduling working capital required for organising the raw material. IHDS envisages helping handloom weavers developing necessary network for the efficient supply of the raw materials among its members.

One of the difficulties faced by the weavers in the pre-cluster period was the difficulty in timely procurement of raw material and at competitive price. Currently NHDC, supply yarn to the weavers at Mill Gate price Scheme., ie.. they supply yarn at the price at which they procure yarn from the Mill, without charging any transportation or administrative cost. The weaver/societies are required to pay NHDC an advance amount for purchase of yarn from NHDC and they deliver the yarn in a time frame of about 3-4 weeks. This delays the production process. Thus, in order to ensure regular availability of yarn of requisite counts, one-time assistance of Rs. 3.00 lakh is provided to each cluster to be deposited with the NHDC as a corpus fund to enable it to ensure supply of yarn to the weavers through the yarn depot/yarn Bank at the cluster. NHDC will supply yarn to the yarn Bank for supply to the weavers against payment. The Scheme, as envisaged in the cluster had twin objective of utilizing the services of NHDC in procurement of raw materials thereby making NHDC more active

in the supply chain and to make available quality yarn at less price to the weavers. When bulk order is placed, the unit cost will be less and societies can save on time and transportation cost.

The following section analyses the impact the programme made among the handloom co-operative societies in creating a proper network for supplying of raw materials.

5.1.2.1 Raw Material Purchase from Open Market.

The study revealed that 82 percent of the CMS during the pre-cluster period depended on open market for procurement of yarn, but only 16 percent of them procured raw materials from open market in the post-cluster period. In the case of N-CMS in 2008, 70 percent of the societies depend on open market. This has slightly come down to 50 percent by 2012. This is given in Table No.5.27

Table No. 5.27 Comparison of no. of societies which directly purchase raw material from the open market

Purchase from Open Market	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	42	82.4	8	15.7	7	70.0	5	50.0
No	0	0.0	34	66.7	3	30.0	3	50.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent Source: Field Survey								

The reduction in the dependency in the case of CMS is on account of opening up of other channels for procurement of raw materials such as yarn bank through Cluster.

5.1.2.2 Raw Material Purchase from Hantex/Hanveev

The study revealed that close to 60 percent of the societies in the CMS purchased raw materials from Hantex/Hanveev during post and pre-cluster period. However, in the case of N-CMS, purchase remains at 50 percent during pre-and post cluster period. Table No.5.28 shows the survey results.

Table No.5.28 Comparison of No of societies which procure raw materials from Hantex/Hanveev

Purchase from Hantex/Hanveev	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	30	58.8	31	60.8	5	50.0	5	50.0
No	12	23.5	11	21.6	5	50.0	5	50.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

Most of the societies opined that they continue to procure raw material from Hantex/Hanveev, as they still act as one of the marketing channels for many of these societies.

5.1.2.3 Raw Material Purchase from Yarn Bank

The yarn Bank is a novel concept brought in through the cluster scheme, under which the cluster will form a Yarn Bank for procurement of yarn and the yarn so procured will be distributed to all the members in the cluster according to their requirement, upon payment. The cost in such cases would be comparatively lower as bulk order is placed and the weaver need not worry about yarn, as Yarn Bank will attend to its timely delivery. By the end of 2012, weavers in 67 percent of the societies got the benefit of yarn bank system apart from the other channels of yarn purchase as mentioned earlier.

Table No.5.29 Comparison of No of societies which use Yarn Bank for purchase of Raw material

Purchase through Yarn Bank	CMS		N-CMS	
	2008	2012	2008	2012

	F	P	F	P	F	P	F	P
Yes	0	0.0	34	66.7	NA	NA	NA	NA
No	42	82.4	8	15.7	NA	NA	NA	NA
DNPS	9	17.6	9	17.6	NA	NA	NA	NA
Total	51	100.0	51	100.0	NA	NA	NA	NA

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

The presence of multiple channels for raw materials' supply and its network offers a unique advantage for weavers in getting a raw material at competitive rates. This phenomenon is noticed from the change that had occurred in the raw material procurement preference of the weavers, which is shown in Table 5.30.

Table 5.30 Comparison of use of various channels for purchase of raw material by Societies and Weavers

Channel	CMS		N-CMS		CMW		N-CMW	
	2008	2012	2008	2012	2008	2012	2008	2012
	F	F	F	F	F	F	F	F
Open market	42	8	7	5	210	112	6	11
Hantex/Hanveev	30	12	5	5	139	99	3	1
Societies	NA	NA	NA	NA	69	207	87	84
Yarn Bank	0	8	NA	NA	NA	NA	NA	NA
DNPS	9	9	0	0	63	63	0	0

DNPS=Did Not Participate in the Survey, F=Frequency.
Source: Field Survey

It may be noted that in the pre-intervention period 210 CMW weavers purchased raw materials from the Open Market. However, with the introduction of yarn Bank, the number of CMW who purchase raw materials from the open market had come down to 112. Purchase from Hantex/Hanveev

also come down from 139 to 99. However, the number of CMW who purchased yarn from societies had increased from 69 to 207.

The changing trend in the purchase of raw materials indicate that raw material purchase by the weavers and societies are fast becoming centralised through Yarn bank, though other channels of raw material procurement are still active. This joint action is expected to result in collective efficiency in procurement of raw material, leading to saving on time and money.

5.1.3 Network for Marketing

One of the cardinal issues faced by the handloom co-operative societies in Kerala is the inefficiencies in the marketing network. The inefficiencies in the value chain has hampered the development of a proper marketing network and the industry has seldom travelled beyond the customary markets in Kerala. It never tried to broad base its product line, increasing its design capabilities and finding new markets for its products, both in domestic and international markets. As a result the both production and markets contracted, over a period of time.

The cluster method under IHDS aims to provide market orientation by associating entrepreneurs, designers and professionals for marketing, designing and managing the production, diversification, creation of new market through widening the product range, and widening the market through better outreach.

This section examines the support extended by the cluster to weavers/ co-operative societies in setting up a proper network for marketing their handloom products.

The weavers in the pre-cluster period mainly sold their products in the open market at a throw away price, leaving good chunk of the profit to the middlemen or trader. This is because of the subsistence nature of the job and financial condition of the weavers. They seldom had any bargaining power as it was a desperate sale, most often for buying raw material for the next day and partially for funding their sustenance (utilise a portion of money for himself /herself.) The cluster offered a common platform for common marketing and fund was earmarked for advertisement, publicity, market development, attending Buyer Seller Meets, Trade fairs etc. This reduced the dependency of weavers on the open market via intermediaries and middlemen. As can be noted from Table No.5.31

Table No.5.31 Comparison of No of societies which depend on Open market/Middle men for marketing their Products

Sale through Open Market	CMW				N- CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	391	81.3	187	39	92	95.8	87	90.6
No	27	5.6	231	48	4	4.2	9	9.4
DNPS	63	13.1	63	13	0	0	0	0
Total	481	100	481	100	96	100	96	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
Source: Field Survey								

In the pre-cluster period, 81 percent of weavers in CMW and 95 percent of N-CMW marketed their products through the open market. After the introduction of the cluster, the dependency of the weavers on the open market for selling their product had come down and in 2012 only 39 percent of the weavers depended on open market. However in the case of N-CMW, it has come down from 95 percent in 2008 to 90 percent in 2012. The

change in CMW is attributed to the concerted efforts put in by the cluster for establishing a proper network for better marketing. They have utilized three interventions viz;

1. Increasing the selling channels
2. Increasing the Product profile
3. Using marketing and advertisement

The use of these sources are described in detail here below::

5.1.3.1 Increasing the Selling Channels

a) Domestic Market

One of the major markets for the handloom products is the domestic market. The products included customary sarees, dhothies, set mundu etc. The domestic market was steady, though small. The study revealed that all the societies use domestic market as one of their sources of selling their products.

Table No.5.32 Comparison of No of societies which use Domestic Marketing as a channel for Marketing

Sale through Domestic Market	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	42	82.4	42	82.4	10	100.0	10	100.0
No	0	0.0	0	0.0	0	0.0	0	0.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

This again proves that handloom industry is still heavily dependent on the domestic market, and domestic market still continues to be the biggest selling channel for handloom products, indicating that the industry is still heavily domestic market dependent.

Exhibition Sales

The survey revealed that all the societies participate in the exhibition sales organized by various government agencies. The major attraction for the exhibitions sales is the ‘Rebate on sales ’ attached to such exhibitions sales. Table No.5.33 shows the survey results.

Table No.5.33 Comparison of No of societies using Exhibition as a channel for Marketing

Sale through Exhibition	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	42	82.4	42	82.4	10	100.0	10	100.0
No	0	0.0	0	0.0	0	0.0	0	0.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

Even today exhibition sale is one of the major outlet for handloom co-operative societies in Kerala for selling their products, both CMS and N-CMS as can be noted from the table above. 82 percent of the CMS and 100 percent of N-CMS still use exhibition as a channel for marketing their products.

Sales through Hantex & Hanveev

One of the main channels for marketing handloom products was sale through Hantex/Hanveev. The primary objective of creating these apex societies were to increase sale under common brand and create proper marketing linkages with end users. However, their contribution for marketing is limited to the small order that they place with weavers. Most of the societies attribute that the lack of organic links with the market limit the agencies like

Hantex/Hanveev in marketing these products. The survey results on the no. of societies which use hantex/hanveev as a channel for marketing their products is shown in Table No. 5.34

Table No.5.34 Comparison of No of societies using Hantex/Hanveev as a channel for Marketing

Sale through Hantex/Hanveev	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	42	82.4	24	47.1	10	100.0	5	50.0
No	0	0.0	18	42.9	0	0.0	5	50.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

The study revealed that only 47 percent societies in the CMS make use of this channel now. This was 82 percent in 2008. Similarly in N-CMS, only 50 percent of the societies make use of this channel for sales in 2012, whereas it was 100 percent in 2008.

b) Export Market

Export market gives us an opportunity to reach out to wider markets, and most often fetches a better price realization. The products for the export market mainly included furnishing materials. In 2008, 39 percent of the CMS make use of this route to sell their products through export market. By 2012, this has come down to 29 percent. In the case of N-CMS 50 percent of the societies had sale through export channels in 2008. This has come down to 20 percent in 2012.

Table No.5.35 shows the details of the society which sell their products in the export market

Table No.3.35 Comparison of No of societies which use Export as a channel for Marketing

Sale through Export Market	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	20	39	15	29.4	5	50.0	2	20.0
No	22	43	27	52.9	5	50.0	8	80.0
DNPS	9	18	9	17.6	0	0.0	0	0.0
Total	51	100	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

The sharp reduction in sale through export market by 2012 is attributed the global melt-down of 2008-09 period. This in turn forced the societies to adopt other avenues in the domestic market for selling their products.

5.1.3.2 Increasing the Product Profile

a) Creation of New Market by New Products

The introduction of new designs and products in the society had an implication with marketing as it widens the market. New products means, new uses and hence new market. Hence new products act as a channel for marketing. The survey results are shown in Table No.5.36

Table No.5.36 Comparison of no of societies which introduced New Products

Change	CMS				CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Reduced	4	7.8	4	7.8	1	10	1	10
No Change	21	41.2	8	15.7	9	90	9	90
1 - 5	17	33.3	20	39.2	0	0	0	0
5 - 10	0	0	6	11.8	0	0	0	0

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Above 10	0	0	4	7.8	0	0	0	0
DNPS	9	17.6	9	17.6	0	0	0	0
Total	51	100	51	100.0	10	100	10	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

The study revealed that 59 percent of the CMS introduced new products in the post intervention period. It was 33 percent during the pre intervention period. In the case of N-CMS, the study revealed 90 percent of societies could not introduce any new products. For the remaining 10 percent, the product range had come down and the trend is the same during the two period under study. Thus the higher products range indicate wider market and creates a new market.

b) Adoption of Forward Integration

Just as new products help creation of new markets, forward integration helps creation of new products to move up in the value chain. In handloom, by forward integration, one can develop new sections for value addition. They include setting up garment division, embroidery division, retail shops, etc. The study revealed that despite ample scope for forward integrations, societies are not able to undertake such activities, for want of investment. In the case of CMS, the forward integration activities were undertaken in a small way in 33.3 percent of societies in 2012. This was 9.8 percent in 2008. In the case of N-CMS too, the position is no different. Only 10 percent of the societies could do forward integration activities, ie Pinarayi Handloom Co-operative societies in Kannur. They make shirts and other readymade garments, mainly intended for exports. The survey results are shown in Table No. 5.37.

Table No.5.37 Comparison of No of societies which have introduced Forward integration

Forward Integration	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P

Yes	5	9.8	17	33.3	0	0.0	1	10.0
No	37	88.1	25	49.0	10	100.0	9	90.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

5.1.3.3 Using Marketing and Advertisement Activities

a) Creation of Website

Website has become one of the fastest ways for marketing products and services. Its acceptance is mainly on account of its low cost and wider reach. The cluster Programme has earmarked funds for creating of website. The study revealed that societies are not very keen in utilizing these channels in an aggressive manner. However the Programme helped 30 percent of CMS societies to develop and maintain website as a tool for marketing. Interestingly, 30 percent of the N-CMS also use website as a channel for marketing their products. The survey results are shown in Table No.5.38

Table No. 5.38 Comparison of no of Societies which introduced website

Introduction of Website	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	0	0.0	15	29.4	1	10.0	3	30.0
No	42	82.4	27	52.9	9	90.0	7	70.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

b) Adoption of Advertising

In the case of handloom industry in Kerala, societies seldom undertake advertisement of their own. The cluster helped a few societies to overcome this shortcoming. The study revealed that close to 8 percent of the CMS societies started advertising their products using various channels such as way-

side hoarding and small paid advertisements. The survey details are shown in Table No. 5.39

Table No.5.39 Comparison of No of societies which have resorted to Advertisement

Advertisement	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	0	0.0	4	7.8	2	20.0	2	20.0
No	42	82.4	38	74.5	8	80.0	8	80.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

Many societies cite shortage of funds as the major deterrents to undertaking aggressive advertisement campaign. A few societies, especially those who make conventional products opined that advertisements do not make much difference to their sale as customer pockets are defined, production limited and customer specific.

c) Adoption of Branding

One of the problems that limit the societies from undertaking advertisement campaign for marketing their products is the absence of brands/ brandable products. Most of the societies are producing generic items such as cloth veshti, set mundu, saree etc,. And none of them are sold under brand name. The survey results are shown in Table No.5.40

Table No.5.40 Comparison of no of societies which have resorted to Branding

Branding	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	0	0.0	6	11.8	1	10.0	1	10.0
No	42	82.4	36	70.6	9	90.0	9	90.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

The cluster method helped 11 percent of the CMS societies to undertake branding as a tool for marketing. The researcher could understand that most of the societies are ignorant of the benefit that may result from branding their products.

d) Use of Handloom Mark:

The Office of the Development Commissioner for Handlooms, Government of India has introduced the "Handloom Mark" which provides a collective identity to the handloom products and can be used not only for popularizing the hand woven products but also serve as a guarantee for the buyer that the product being purchased is genuine. Besides, this would provide a distinctive name in identifying the product or the manufacturer. The mark is in two forms. One for Domestic use: the word Handloom is written beneath the logo and the other for International marketing: same logo with the word Hand woven in India written beneath it.



The Handloom Mark scheme is operational throughout the country since 2005. The Textiles Committee has been engaged as the Implementation Agency for the implementation of the Handloom Mark scheme across the country. Individual weavers, Apex and primary handloom weavers' co-operative societies, Master weavers, Handloom Development Corporations, Retailers, and Exporters are entitled to participate in the scheme and avail benefits. As per the data given by Regional office of Textile Committee, in Kerala, 264 handloom weavers co-operative societies registered for Handloom Mark. However the study revealed that most of the societies are not utilizing these for marketing their products. The survey results are given in Table No.5.41

Table no.5.41 Comparison of no of societies which have utilised adopted Handloom Mark as a Marketing Tool

Use of Handloom Mark	CMS				N-CMS			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Yes	0	0.0	6	11.8	1	10.0	1	10.0
No	42	82.4	36	70.6	9	90.0	9	90.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

The study showed CMS have started realizing the need for making use of the brand name of Handloom Mark as is evident from the table.

The programme in short, helped the handloom co-operative societies in undertaking activities which would help them for a better outreach, though a lot more is required to be done to make it sustainable

5.1.4 Network for Accessing Technology and Infrastructure Up-gradation:

Many of the traditional industries are not able to compete in the market place because of lack of technology inputs for modernization and the absence of skill development efforts. Development of proper technology that has the ability of competition, possibility of having enough access to such technology and innovation between agencies are essential for the continued growth of the sector.

The handloom industry is less technology intensive, with high labor content. However, technological interventions are still possible in certain areas to improve efficiency, to optimise resources, to improve productivity, to undertake product diversification and to reduce the drudgery of the handloom weavers. Office of the Development Commissioner for Handlooms, Ministry of Textiles has been disseminating various technological interventions through different on-going programmes. Cluster Development Programme has also projects that support Technological & Infrastructure Up-gradation. Efforts are also made to popularise them through Design Exhibitions-cum-Dyeing Workshops, Awareness Programmes, Training Programmes organized through Weavers' Service Centres. As a result, a number of these interventions are being used in some handloom pockets, benefitting handloom weavers in terms of increased productivity and reduced drudgery. However, there is still a need for further dissemination and deeper penetration of these innovations. Access to such technological interventions and its adoption depends on a number of factors including the development of network for accessing such information. The Cluster Programme tried to fill the gap by facilitating support for proper linkages with Technological up-gradation.

In handloom industry, a Network for Accessing Technology is said to exist, when there is periodic exposure visits to other units, opportunity to attend

training programmers, seminars , exhibitions, trade fairs, chance to conduct or attend national or international fashion shows and a mechanism to have tie ups with fashion design institutes, ie industry academia interactions. The following session would discuss how handloom clusters helped development of Network for accessing Technology, that has the ability of competition, and having enough access to technology and innovation between agencies.

5.1.4.1 Tie up with Fashion Design Institutes

A key factor behind the turning point of the industry was the establishment of the National Institute of Fashion Technology (NIFT) in 1986. Set up under the aegis of the Ministry of Textiles, GoI, the school was created to inject home-grown creativity into the garment making industry which, despite bringing in foreign exchange revenues through exports, was lacking in originality and innovative design. Today the country has 9 NIFT's set up either by the Central Govt or State Govt concerned. In Kerala NIFT started operating form 2008 from its Campus at Kannur. Apart from NIFT, there is Indian Institute Of Handloom Technology (IIHT), National Institute of Design (NID), Weavers Service Center etc in the areas of providing new design capabilities to the weavers.

The Study revealed that only very few societies have developed networks for getting new designs through these design Institutes. It is very low and not upto the desired level. The industry academia interaction is not well developed in Kerala industry and the same is true in the case of handloom sector as well, as only 3.9 percent of the societies have direct interaction with such institutes. The survey results are in Table No.5.42.

Table No.5.42 Comparison of No. of societies which have made Tie- ups with Fashion Design Institutes

Tie-ups made	CMS				N-CMS			
	2008		2012		2008		2012	
	F	F	F	F	F	F	F	F
Yes	0.0	0.0	2	3.9	0.0	0.0	0.0	0.0
No	42.0	82.4	40.0	78.4	10.0	100.0	8.0	80.0
DNPS	9.0	17.6	9.0	17.6	0.0	0.0	0.0	0.0
Total	51.0	100.0	51.0	100.0	10.0	100.0	10.0	80.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent								
<i>Source: Field Survey</i>								

5.1.4.2 Participation in National & International Fashion Shows/Trade Fairs, Technology Exhibitions and Seminars.

Another important platform for the technology transfer in the textile sector is National & International Fashion Shows/Trade fair. Technology Exhibitions and seminars, give an opportunity to know the latest developments taking place, especially on changing customer needs and technology used for such changes. Such programmes offer an opportunity for weavers and societies to interact with international suppliers of machines, accessories and services for textile processing offering latest machines, equipment, processes and services for processing textiles and other flexible materials. to interact with the customers. It provides technology suppliers and clothing manufacturers an ideal platform for a mutual exchange of ideas.

India International Handwoven Fair 2012, (organised by Handloom Export Promotion Council (HEPC), IITF, (Chennai) VASTRA – An International Textile and Apparel Fair 2012” (VASTRA – 2012) (organised by Rajasthan State Industrial Development and Investment Corporation Ltd.

(RIICO) and Federation of Indian Chambers of Commerce and Industry (FICCI) are few such national exhibitions participated by the cluster members. Table No. 5.43 gives the survey result of the Technology exhibitions and seminars attended by the societies.

Table 5.43 Comparison of no. of societies which have participated National & International Fashion Shows/Trade fair

Fashion Shows /trade fairs	CMS				N-CMS			
	2008		2012		2008		2012	
	F	F	F	F	F	F	F	F
Attended	0.0	0.0	15.0	29.4	0.0	0.0	2.0	20.0
Not Attended	42.0	82.4	27.0	52.9	10.0	100.0	8.0	80.0
DNPS	9.0	17.6	9.0	17.6	0.0	0.0	0.0	0.0
Total	51.0	100.0	51.0	100.0	10.0	100.0	10.0	100.0
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>								

The study revealed that 82.4 percent of CMS got opportunity to attend technology Exhibitions and Seminar by 2012 as against the 15 percent in 2008. In the case of N-CMS, only 40 percent got such opportunity during the period. This is shown in Table No.5.44.

Table 5.44 Comparison of No. of societies which have participated in the Exhibitions and seminars

Exhibitions and Seminars	CMS				N-CMS			
	2008		2012		2008		2012	
	F	F	F	F	F	F	F	F
Attended	8.0	15.7	42.0	82.4	0.0	0.0	4.0	40.0
Not Attended	34.0	66.7	0.0	0.0	10.0	100.0	6.0	60.0
DNPS	9.0	17.6	9.0	17.6	0.0	0.0	0.0	0.0
Total	51.0	100.0	51.0	100.0	10.0	100.0	10.0	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

5.1.4.3 Exposure Visits:

The study revealed that 82.4 percent CMS could arrange exposure visits for its workers, opening the doors for technology transfer and adoption of technological improvements by the societies. The efforts under Cluster was instrumental in this as none of the societies in N-CMS could organize such visits. Table No 5.45 shows the survey details.

Table No 5.45 Comparison of No of societies which have organised Exposure Visits

Exposure Visit	CMS				N-CMS			
	2008		2012		2008		2012	
	P	F	P	F	P	F	P	F
Visited	0	0.0	40	78.4	0	0.0	0	0.0
Not Visited	42	82.4	2	3.9	10	100.0	10	100.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100.0	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

5.1.4.4 Training Programmes

Training programmes are aimed at imparting specialized training for skill development and its upgradation in line with the changing technology and fashion trends. In handloom sector training programmes are usually conducted by Entrepreneur Development Institute India, Ahmedabad, Weavers Service Centres, Indian Institute of Handloom Technology (IIHT), etc.

The survey conducted among weavers revealed that in the pre-intervention period only 17 percent of the weavers had opportunity to attend such training programmes. The survey results are shown Table No. 5.46.

Table No 5.46 Comparison of No of weavers who have attended Training Programmes

Training Programme	CMW				N-CMW			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
Attended	70	14.6	379	78.8	19	20.43	41	42.71
Not Attended	348	72.3	39	8.1	74	79.57	55	57.29
DNPS	63	13.1	63	13.1	0	0.00	0	0.00
Total	481	100.0	481	100.0	93	100.00	96	100.00

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent

The cluster could provide training and skill upgradation to about 80 percent of the weavers. However in the case of N-CMW, only 57.29 percent of the workers got opportunity for attending training programmes. This can also be understood in a different way from the number of societies which had organized training. In the case of CMS, 78 percent of the societies had organized training programme for its members, where as in the case of N-CMS only 20 percent of the societies had done so. Table No.5.47 shows the trend as noted in the survey.

Table No 5.47 Comparison of No of societies which have undertaken Training Programmes for accessing technology

Training Programme	CMS				N-CMS			
	2008		2012		2008		2012	
	P	F	P	F	P	F	P	F
Undertaken	4	7.8	40	78.4	0	0.0	2	20.0
Not Undertaken	38	74.5	2	3.9	10	100.0	8	80.0
DNPS	9	17.6	9	17.6	0	0.0	0	0.0
Total	51	100	51	100.0	10	100.0	10	100.0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

The study revealed that the CMS who attended training programme had increased from 7.8 percent in 2008 to 78 percent after the cluster programme

in 2012. In the case of N-CMS only 20 percent of the societies got the opportunity to undertake training programmes during the same period.

The Figure 5.7 shows two photographs are taken while undertaking survey work for the study.

Figure No.5.7. Photographs of Training Programmes in Session

	
<p>Mr.Rajan T.Nair, Project Officer, Entrepreneurship Development Institute of India taking a class at Swatheshi Cluster in Thiruvananthapuram, as part of the Training Programme.</p>	<p>Mr.Pradeep.P.N, Project Associate Entrepreneurship Development Institute of India taking a class at Naveena Cluster in Thiruvananthapuram, as part of the Training Programme.</p>

The following are the important technological interventions implemented in different handloom pockets of the country. The exposure visits and training programmes are intended to sensitize the weavers and encourage them to adopt the skill sets.

- a. pneumatic jacquard system and motorized jacquard on the existing handloom so as reduce fatigue and improve productivity,
- b. take-up & let off motions on the existing handloom so as reduce fatigue and improve productivity and efficiency by 15 percent .
- c. multiple box motion for continuous weaving of two different kinds of weft, thereby reducing fatigue and improving efficiency by more than 20 percent.
- d. improved frame loom fitted with take up, let off motion, fly wheel, roller temple, multiple box motion etc increases more than 50 percent efficiency and reduces fatigue.

- e. jacquard on the existing handloom so as to weave any intricate design.
- f. dobby on the existing handloom so as to weave geometrical designs.
- g. warp beam and fabric beam on the existing handloom so as to improve productivity etc

It was found that exposure visits and training programme had resulted in bringing certain perceptible changes in the way the weavers work hereto and resulted in the adoption of better technology in the handloom industry in Kerala, as shown in Table No.5.48.

Table No.5.48 Comparison of Level of Technological Intervention after introduction of cluster (%)

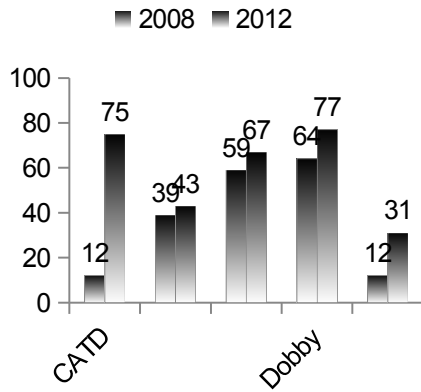
Technology	CMS								N-CMS							
	2008				2012				2008				2012			
	I	NI	DNP S	T	I	NI	DNP S	T	I	NI	DNP S	T	NI	DNP S	T	NI
CATD	12	71	18	100	75	8	18	100	20	80	0	100	20	80	0	100
Mechanized Pre-loom Operations	39	43	18	100	43	39	18	100	40	60	0	100	50	50	0	100
Jacquard	59	24	18	100	67	16	18	100	60	40	0	100	60	40	0	100
Dobby	64	18	18	100	77	6	18	100	60	40	0	100	100	0	0	100
Take up Motion	12	70	18	100	31	51	18	100	40	60	0	100	50	50	0	100

I=Introduced, NI=Not Introduced, DNPS=Did Not Participate in the Survey, & T=Total

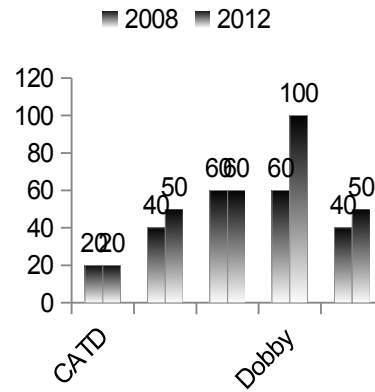
Figure No. 5.8 shows the level of technological intervention in the societies as on 31.03.2012.

Figure No. 5.8 Level of Technological intervention in the societies (%)

Technological Intervention in CMS



Technological Intervention in N-CMS



The cluster facilitated a higher level of technological interventions in the select handloom co-operative societies. Cluster assistance had sowed the seeds for such technological interventions and change in the handloom societies, which is otherwise known for its resistance to change. These individual actions of the societies are expected to increase efficiency and result in better productivity and turnover.

5.1.5 Increase in Finance & Investment Aid

Compared with other segments of the textile industry, Handloom sector is capable of producing a much larger volume of output for any given level of investment. The sector has the ability to come out with products which can be really competitive both at national and international markets, provided proper infrastructure facilities are made. This would necessitate investment for product management, both for production and post-production. Adequate capital is required to produce high quality products and to create proper linkages with the market, as well.

However, investment in handloom sector has seldom attracted private investment, as is evident from the fact that 94 percent of the production from Kerala comes from the co-operative sector. These societies depend on Government schemes and packages for meeting their investment needs. The Government investment has thus far been limited to certain piece-meal projects such as workshed-cum-housing and project package schemes.

This section analyses how the Cluster Programme helped in creating a proper system for uninterrupted production and post production fund requirements of the handloom co-operative societies in Kerala, both its long term and short term fund requirements.

5.1.5.1 Long Term Investments:

The handloom co-operative societies generally need Long Term investments for setting up the production facilities, say the weaving unit. Apart from this, fund is required for land, building, plant and machinery and construction of the production unit. Fund is also required for establishing proper marketing linkages. The main sources for meeting the long term funds requirements of the handloom industry in Kerala are;

- a) Share Capital,
- b) Grant & Subsidy and
- c) Borrowing from banks/FI

a) Share Capital

As far as the handloom co-operative societies in Kerala are concerned, share capital from members, (normally subscribed at the time of membership) constitutes the main sources of fund for long term investment. This is normally low as new membership is not taking place in a big way. In addition to the share contribution from by way of membership, Government funds come to the

Societies by way of Share Capital. The Share participation by Government is normally given with a view to enhancing the Net Disposable Resources position of the societies, and also for undertaking specific activities such as establishing Mini Pre-loom Process Centres (warping and sizing units), setting up of Dye House etc, construction of common works shed, purchase of new looms and to meet other long term fund requirements. The ceiling for share capital from the Government to is fixed at Rs.5.00 lacs per year per society. Thus, a portion of the long term fund requirements in the handloom co-operative societies in Kerala is met by the Share Contribution from members and Government. Since share capital from the members are marginal, an increase in share capital in the case of handloom co-operative societies in Kerala denote an increased share participation by the Government. The y-o-y movement of share capital from the period from 2005 to 2012 is given in Table No.5.49

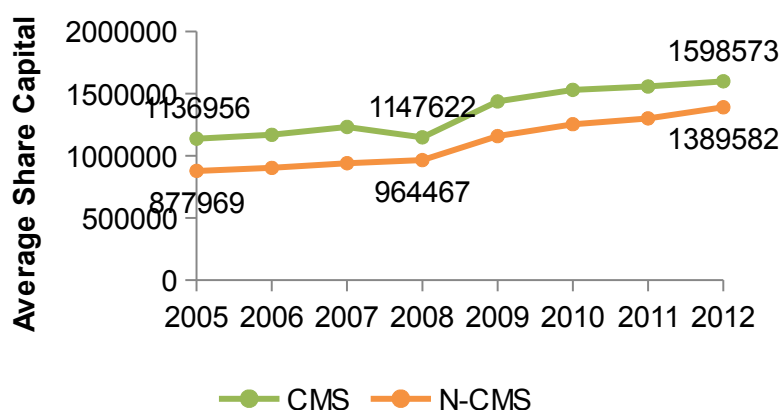
Table No.5.49 The percentage Change in Share Capital of the societies from 2005 to 2012

		Year								p	p
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
AVERAGE	M C	47752	49058	51716	48200	60322	64245	65377	67140	.94	39.2
	N C	87796	90187	93965	96446	11572	12531	13002	13895	9.85	44.0
AVERAGE	M CM	86	84	95	70	424	724	149	821	--	8
	N CM	11369	11680	12313	11476	14362	15296	15566	15985	--	--
AVERAGE	M CM	56	65	42	22	59	48	10	73	--	--
	N CM	87796	90187	93966	96446	11572	12531	13002	13895	--	--
		9	8	0	7	42	72	15	82		

Source: Audited Balance Sheet of the Societies

From 2005 - 2012, the average share capital of the CMS increased from Rs.1136956/- to Rs.1598573/-, ie an average increase of just Rs.4,61,617/- in a period of eight years.

Figure No. 5.9 Average Share Capital of societies from 2005 to 2012
(Rs.)



The survey results of the share capital received by the societies under study are shown in Table No.5.50

Table No. 5.50 Percentage Change in Share Capital from the Pre-IY (2008) to the Post IY (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	4	7.8	1	10
No Change	0	0	2	20
0-25 percent	17	33.3	3	30
25-50 percent	7	13.7	2	20
50 percent >	13	25.5	2	20
DNPS	9	17.6	0	0
	51	100.0	10	100

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source : Audited Balance Sheet of the Societies & Field Survey

The study revealed that in the case of the 72 percent of CSM and 70 percent of N-CMS there is increase in the share capital received, which shows that majority of the societies are alive to this channel as a source for fund.

b) Grant & Subsidy

The Grant and Subsidy given by the State and Central Govt constitute the most important instruments for the handloom co-operative societies for funding their investment needs. It is extended to handloom co-operative societies for a number of schemes & programmes such as Marketing and Export Promotion Scheme, Training and Skill Development Programme, Upgradation to Powerloom/ Modernisation of Factory Type Societies, Hank Yarn subsidy, Revitalisation and strengthening of Handloom Co-operatives and Apex societies and Handloom Development Corporation (Flagship Programmes), Promotion of Master Weavers to set up Production Units, Establishment of Weavers Service Centre for Skill Up gradation Training for handloom Weavers, Development of Regional Brand in Handloom Industry, Partial Mechanisation of Pre loom Processing, Training, study and propaganda for encouraging the use of Handloom cloth, Establishment of Hank Yarn Production Centres and Group Insurance Scheme for Handloom Weavers (Mahatma Gandhi Bunkar Bima Yojna), & Health Insurance Scheme for Handloom Weavers under Comprehensive Welfare Scheme (CSS), etc. The survey results are shown in Table No.5.51

Table No.5.51 Percentage Change in the Grant & Subsidy received by the societies from the Pre-IY (2008) to the Post IY (2012)

percent Change	CMS		N-CMS	
	F	P	F	P
Reduced cases	12	23.5	5	50.00
No Change	7	13.7	3	30.00
0-25 percent	6	11.8	0	0.00
25-50 percent	5	9.8	0	0.00
50 percent >	12	23.5	2	20.00
DNPS	9	17.65	0	0.00
	51	100.00	10	100.00
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent				
<i>Source: Balance Sheet of the Societies & Field Survey</i>				

The study revealed that N-CMS are better off in getting grant and subsidy than CMS. This is mainly because the CMS cannot apply for certain grant and subsidy as they are covered under cluster scheme. The Change in Grant & Subsidy received by the handloom co-operative societies from 2005 to 2012 are given in Table No. 5.52

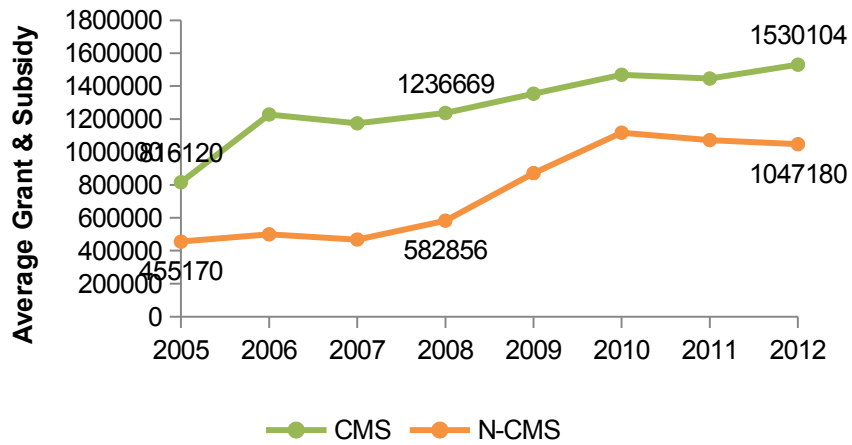
Table No.5.52 Change in Grant & Subsidy received by societies from 2005 to 2012 (Rs.)

		Year									
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
AVERAGE	N-CMS	34277	51564	49302	51940	59133	61692	60723	64264	51.5	23.7
	CMS	45517	49964	46800	58285	87135	11170	10720	10471	28.0	79.7
AVERAGE	N-CMS	81612	12277	11738	12366	14079	14688	14457	15301	--	--
	CMS	45517	49964	46801	58285	87135	11170	10720	10471	--	--
		0	2	0	6	7	33	97	80		

Source: Audited Balance Sheet of the Societies

In the case of CMS, the study revealed that the average Grant and subsidy has increased by 51 percent in from 2005 to 2008 and from 2008 to 2012 by 23 percent. In the case of N-CMS, it has increased by 28 percent from 2005 to 2008 and from 2008 to 2012 by 79 percent. The Figure No.5.10 shows the changes in the grant and subsidy received by the societies during the period.

Figure. No.5.10 Average Grant & Subsidy received by societies (2005 - 2012)



c) Borrowing from Banks/Financial Institutions

The co-operative societies in Kerala seldom avail financial assistance from Financial Institutions like KSIDC/KFC/Commercial banks etc for meeting the long term investments. The study revealed that none of the co-operative societies have taken loan from Banks other than the District co-operative Banks for the working capital needs. The survey results on the borrowing availed by from the financial institutions are shown in Table No. 5.53.

Table No.5.53 Borrowings from Banks and FI

	CSM				N-CSM			
	2008		2012		2008		2012	
	F	P	F	P	F	P	F	P
KSIDC	0	0	0	0	0	0	0	0
KFC	0	0	0	0	0	0	0	0
District Co-Operative Banks	26	51	26	51	7	70	7	70
Other Banks	4	7.8	4	7.8	2	20	2	20
No Borrowing from Banks	12	23.5	12	23.5	1	10	1	10
DNPS	9	17.6	9	17.6	0	0	0	0
Total	51	100.0	51	100.	10	100	10	10
				0				0

DNPS=Did Not Participate in the Survey, F=Frequency & P= percent
Source: Field Survey

5.1.5.2 Short Term Investments:

Short Term Investments are nothing but working capital that are required for the purchase of raw materials and to meet the day-to-day expenses of the unit. Small scale industries have a distinct set of characteristics such as lower credit on purchases, poor financial strength, high level of variability due to dependence on local factors, low bargaining power leading to problems of receivables etc. This in turn leads to inadequacy of working capital, which is often stated as one of the major reasons for sickness of the industry. The banks are reluctant to extend working capital assistance to these small firms. The banks argue that most firms face problems of inadequate working capital due to credit indiscipline. Firms, often, divert working capital to meet long term requirements or to acquire other assets.

The situation of the handloom co-operative societies in Kerala is no different. The societies used to avail working capital loan from District Co-

operative banks. Since they have huge outstanding liabilities in the bank, Bank had stopped extending working capital assistance or new credit. Only a very few societies have a running account. Most of the societies have reported Shortage of working capital as one of the major problems that stands in the way of smooth production flow in the handloom sector.

The section here analyses the availability of working capital in the handloom co-operative societies in Kerala.

a) Primary Working Capital Borrowing from Banks:

This is the credit borrowing from the commercial banks and other financial institutions. The PR Nayak Committee (1991) that was appointed to devise norms for assessing the working capital requirement of small-scale industries arrived at a simplified norm of pegging the Working Capital bank financing at 20 percent of the projected annual turnover, subject to a Promoter bringing in a margin of 5 percent of the projected annual turnover.

Quantum of Working Capital bank financing	20 percent of the projected annual turnover
--	--

The working capital availability of the handloom co-operative societies as on 31.03.2012 was tested against the above norm put forth by the PR Nayak Committee to understand whether the handloom co-operative societies in Kerala has access to enough bank finance for working capital requirements. The test results are shown in Table No.5.54.

Table No.5.54 Availability and percent Change of Primary W/C (PW/C) from Commercial Banks/FIs as on 31.03.2012

% Change of P W/C	CMS		N-CMS	
	F	P	F	P
Less than 0	5	9.8	1	10
0-20 percent	6	11.8	4	40

20 percent >	31	60.8	5	50
DNPS	9	17.6	0	0
Total	51	100.00	10	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>				

b) Secondary Working Capital:

The secondary sources of working capital consists of provisions such as interest, depreciation, reserves and undivided profits, which are diverted/ temporarily used to meet the working capital requirements. These provisions are made in the Profit & Loss account of the Balance sheet for the societies. Table No.5.55 shows the study results.

Table No.5.55 Availability and percent Change of Secondary Working capital (S W/C) as on 31.03.2012

% Change S W/C	CMS		N-CMS	
	F	P	F	P
No W/C facility	5	9.8	0	0
0-20 percent	8	15.7	6	60
20 percent >	29	56.9	4	40
DNPS	9	17.6	0	0
Total	51	100.00	10	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent <i>Source: Field Survey</i>				

c) Incremental Working Capital:

The Incremental Working capital is fund available from the Gross profit generated for the year. If the Gross Profit generated is at least equal to 20 percent of the turnover, the firm is said to generate the required working capital through incremental working capital source within in the system. If the system is not generating enough gross profit to cover the working capital requirement, it would mean that there is erosion in the network in such cases as the share capital gets diluted to the extent of loss. The study results are shown in Table No.5.56

Table No.5.56 Availability and percent Change of Incremental Working capital (I W/C) as on 31.03.2012

% Change I W/C	CMS		N-CMS	
	F	P	F	P
Less than 0	4	7.8	2	50
0-20 percent	21	41.2	5	50
20 percent >	17	33.3	3	30
DNPS	9	17.6	0	0
Total	51	100.00	10	100
DNPS=Did Not Participate in the Survey, F=Frequency & P= percent Source: Field Survey				

With respect to the availability of short term fund for working capital requirements, the study found that majority of the societies have access to multiple sources for working capital. A few societies which do not have access to such sources of funds depend either on unsecured sources or on advance for job works.

Cluster provided Margin Money Assistance to weavers organized in Self-Help Groups and Co-operatives @ Rs. 6,000.00 per weaver, subject to a maximum ceiling 25 percent of the permissible project cost of a cluster viz. Rs.60.00 lakh per cluster. This way a cluster can get fund upto a maximum of Rs.15.00 lacs for working capital.

The study also found that a few societies have effectively utilized this support. Rather than utilising the margin money for one time, they deposited the fund so collected in Banks for getting additional working capital loan. This shows the improved bargaining power and better negotiation skills of the weavers. This phenomenon is widely noticed in clusters in Thiruvananthapuram.

Though the societies still need long term fund for infrastructure development, the cluster programme helped them realize the need to have proper financial discipline for uninterrupted operations. The individual societies have felt the importance of investing. It also made them realise the

need to have prudential utilisation of the financial support for attaining long term investments needs as well.

5.1.6 Co-ordinating Entity

Handloom, as already mentioned is a traditional industry, employing not so highly educated people. Most of them are not aware of the developments taking place in the sector at a different locations, let alone the changes in other sectors. They do not have the time and seldom feel the need for knowing such things.

One of the important operational weaknesses of the handloom industry in Kerala was the lack of proper co-ordination by the various stake holders. Only a department with commitment and dedication can bring changes in such a society. The various co-ordinating agencies should also work in tandem and proactively support and supplement one another to make perceptible changes in the sector.

The cluster Development Programme was perhaps the first comprehensive package given by the Government, with the intention to improve the all-round development of the handloom sector. The weavers and co-operative societies were not equipped enough to undertake such a big Programme without proper co-ordination at various levels. The role of Secretaries of the Societies, CDE, Implementing agencies, Directorate, Departments, Hantex, Hanveev, WSC, NHDC, IHTT etc all important to bring operational results in the sector.

This section analyses how capable and effective are the various governmental agencies in implementing schemes like this in handloom sector. This has a bearing on the long term growth of the industry as sector like

handloom needs strategic thinking and planning to take it to the high road to growth. The co-ordinating agency can be said to be efficient and effective, if they could bring operational results for the cluster programme. In this section, a brief analysis is made to understand the operational results of the Cluster to evaluate the co-ordinating various agencies.

5.1.6.1 Project Cost and Operational Results

As already mentioned, the maximum project cost under cluster assistance is limited to Rs.60.00 lacs per cluster. The fund is released in 3 stages, based on the utilization of funds released in the previous stage.

The total amount sanctioned for the 24 handloom clusters in Kerala comes Rs.1428 lacs. Out of this, the project cost for the 13 sample clusters alone comes to Rs.772 lacs. The details of the project cost approved for the 13 sample clusters and its sharing pattern and the fund disbursed is given in Table No.5.57.

Table No. 5.57 Total Project Cost, its sharing and funds received by sample clusters (Rs.)

No	Name of the Cluster	Project Cost	Sharing of Project Cost			Total disbursed	Balance not disbursed
			Central	State	IA/Ben		
1	Kozhode Cluster	59.72	51.72	7.53	0.47	51.72	8.00
2	Ramapuram Cluster	59.90	53.27	5.96	0.67	53.27	6.63
3	Travancore Cluster	60.00	52.11	6.48	1.40	38.23	21.77
4	Ooruttambalam Cluster	60.00	52.72	6.08	1.20	52.72	7.28
5	Swadeshi Cluster	59.65	53.32	5.66	0.67	53.32	6.33
6	Naveena Cluster	59.65	53.32	5.66	0.67	53.32	6.33
7	Thettivila Cluster	60.00	53.98	5.02	1.00	28.63	31.37

8	Neyyatinkara Cluster	59.99	53.75	5.78	0.45	53.76	6.23
9	Payyanoor Cluster	53.50	45.23	7.48	0.80	34.52	18.98
10	ICON Cluster	59.50	50.86	7.73	0.93	45.06	14.45
11	Morazha Cluster	59.90	52.38	6.62	0.90	30.88	29.02
12	Kalliassery Cluster	59.90	52.48	6.52	0.90	52.48	7.42
13	Chirakkal Cluster	60.00	51.08	8.12	0.80	51.08	8.92
	Total	771.71	676.21	84.63	10.86	214.02	78.79
	% as against the total received	--	88	11	1	77.62	22.38

Source: Field Survey

With respect to the sample clusters, 78 percent of the funds were disbursed, leaving 22 percent undisbursed.

With respect to the sanctioning of the Fund for Project, all the implementing agencies show almost same amount. There is no significant difference in the amount sanctioned for the clusters under them, and among the implementing agencies. The study result is shown in Table No. 5.58.

Table No.5.58 Sanctioned Project Cost & Co-ordinating Agencies

Implementing Agency	Mean	SD	df	F - value	p - value
Hantex	59.978	0.025	3 & 16	0.759	0.533
Handveev	60.000	0.000			
Consortex	59.782	0.155			
Others	58.886	2.384			
Total	59.549	1.434			

Source: Field Survey

5.1.6.2 Allocation & Utilisation of Funds for Different Activities

The Table No. 5.59 shows component-wise utilization of funds in the sample clusters.

Table No.5.59 The Pattern of Allocation of Funds for different activities & its Utilisation (Rs.)

No	Components of the IHDS considered for assistance	Fund sanctioned		Fund utilised		Fund unutilised	
		Amount	% Share	Amount	%	Amount	%
1	Baseline Survey, diagnostic Study, formation of SHG	9	1.17	9	100.0	0.0	0.0
2	Formation of Consortium	5.25	0.68	5.25	100.0	0.0	0.0
3	Corpus Fund for Yarn Depot (one Time Assistance)	39	5.05	39	100.0	0.0	0.0
4	Skill upgradation (ceiling of 15 percent of the project cost)	68.25	8.84	64.75	94.9	3.5	5.1
5	Design Development & Product Diversification	96	12.44	74	77.1	22.0	22.9
6	CFC/Dye House (ceiling of 50 percent of the total Project Cost)	227.92	29.53	142.206	62.4	85.7	37.6
7	Publicity & Marketing (ceiling of 20 percent of the Total Project Cost)	117.1	15.17	92	78.6	25.1	21.4
8	Project Management Cost	72.1	9.34	69.2	96.0	2.9	4.0
9	Basic Inputs	108.59	14.07	75.075	69.1	33.5	30.9
10	Construction of Work shed	28.5	3.69	28.5	100.0	0.0	0.0
	Total	771.71	100.00	598.981	77.6	172.7	22.4

Source: Field Survey

With reference to fund unutilized, it is noted that non-utilisation of fund is highest in item No.6 above ie, Common Facility Centre and Dye House. For this item only 62 percent of fund is utilized and the balance 38 percent is unutilised. Interestingly, allocation of fund is also highest in this item. Out of the total project cost of Rs,770.71 lacs, for the 13 clusters, 227.92 lacs ie 30

percent is earmarked for CFC/Dye House. This means that for the remaining 9 heads only 70 percent of funds were available. It is also noted that 71 percent of the fund is allotted for the 4 items of Design Development & Product Diversification, CFC/Dye House, Publicity & Marketing and for Basic Inputs. And surprisingly, out of the 172.7 lacs of unutilised funds, 166.37 lacs (96 percent) is contributed by these four components. In the case of the remaining 6 components, which had to manage with 30 percent of the total funds, the fund utilization was 96 percent. This shows either the unrealistic allocation of funds or the inability of the clusters in achieving the targets set by themselves.

Fund utilization patterns under implementing agency shows that there is not much difference between the implementing agencies. However, clusters under CONSORTEX are better as far as utilization of funds are concerned. Table No.5.60 shows the study results.

Table No.5.60 Fund utilization & Co-ordinating Agencies

Implementing Agency	Mean	SD	df	F - value	p - value
Hantex	34.775	19.240	3 & 20	2.332	0.105
Hanveev	27.360	23.640			
Consortex	53.078	0.785			
Others	42.034	10.724			
Total	39.470	17.061			

Source: Field Survey

With regard to the fund utilization, clusters under CONSORTEX fare better. The fund utilization by individual clusters shown in Figures are given as Appendix-II

5.1.6.3 Conducting Various Programmes

The programme warranted various agencies under government initiate actions for conducting exposure visits, training programmes, exhibitions, national & International trade fairs, etc. The details such programme undertaken/co-ordinated are given in Table No.5.61

Table No.5.61 Activities /Programmes conducted by co-ordinating agencies

Activities in Nos						
Year	Exposure visits	Training Programmes by WSC	Conducting Local exhibitions	Organising participation to local trade fairs / exhibitions	Attending national trade fairs	Attending international trade fairs
2008	0	3	5	4	1	0
2009	2	22	7	4	1	0
2010	15	20	10	4	1	0
2011	20	22	15	3	1	1
2012	25	22	22	3	3	1

Source: Directorate of Handlooms & Textiles, GoK, IIHT, EDI, WSC & Field Survey

5.1.6.4 Completion of Different Works under Clusters

A cluster identified for interventions is said to have undergone five distinct stages as shown below. The programme only stands completed when all these five important stages are successfully completed. It is only then that a complete assessment of the impact can be undertaken and the performance of the co-ordinating agencies can be evaluated. The five stages are detailed below:

Stage I - Completion of Diagnostic Study and Soft interventions: This stage stands completed when the CDE undertakes a diagnostic study and based on

this the cluster is identified and soft interventions initiated. This Stage can get prolonged if the CDE is not appointed on time and adequately trained and equipped to carry out the diagnostic study and effectively initiate soft interventions. Stage I may also be prolonged due to the delayed release of funds, as well as the delayed approval and consent of the State Government, which is essential for the initiation of the programme in any state.

Stage II - Formation and registration of Special Purpose Vehicle (SPV): The work in this Stage involves formation of the SPV and the formal registration of the SPV. It is often difficult and time consuming to get individual units to come together and form an SPV and register it in the most suitable institutional form. The successful completion of Stage II also depends on suitability of the identified cluster, which was decided based on the diagnostic study and on the effectiveness of the soft interventions carried out.

Stage III - Approval of Detailed Project Report by DC, Handlooms: The third Stage or Stage III stands completed after the DPR for the CFC is formulated along with detailed estimates of the cost, and then approved by the Development Commissioner, Handlooms, GoI. Stage III involves the careful selection of the CFC and the formulation of a Detailed Project Report (DPR), and the acceptance and approval of the proposal by the sponsors. Arriving at a consensus on the choice of the most appropriate CFC is itself a difficult and time consuming process. The formulation of a DPR often involves prolonged consultations with experts, and equipment manufacturers. Access to affordable expertise either from individuals or institution is not easy and often comes at a fairly high cost. The process of approval may also prove to be very cumbersome and time consuming and clusters are likely to get 'stuck' in this stage.

Stage IV - Initiating for Setting up of Common Facility Centre (CFC): The fourth Stage or Stage IV, involves taking steps for the setting up of the CFC. The pace of construction depends on the timely supply of equipment and machinery. This will happen only on timely disbursement of payments. Delays in the Stage IV can lead to cost escalation, causing further delays in successfully completing this stage.

Stage V - Commissioning of CFC: The final Stage or Stage V is reached when the CFC is fully commissioned and becomes functional and starts being used by individual cluster units. Each of these stages is likely to take varying lengths of time for completion. It may be mentioned that since no specific timeline is prescribed for each stage, there is a tendency for the entire process to drag on. Each of these stages involves different activities and are marked by specific problems and constraints. The final Stage V involves the commissioning of the CFC and ensuring the full utilization of the capacity created. The proper testing of installed machinery the conduct of trial runs, the removal of teething problems which often takes time as equipment suppliers do not attend to the need for prompt after sales services. The purchase agreements are also not properly framed to incorporate the timely provision of such services. The proper training of workers who are required to operate these machines may also create problems in the initial phase of operations. The pricing of services provided by the CFC is also an important issue as both under pricing or over pricing brings with it a host of other problems affecting the equitable utilization of the facility by individual units in the cluster.

The status of completion of the different stages by sample clusters studied is given in Table No.5.62.

Table 5.62 Status of Cluster activities completed

SI No	Stages completed	I	II	III	IV	V	VI
1	Kozhode Cluster	C	C	C	C	NC	--
2	Ramapuram Cluster	DNPS	DNPS	--	--	--	--
3	Travancore Cluster	C	C	C	NC	--	--
4	Ooruttambalam Cluster	C	C	C	C	C	--
5	Swadeshi Cluster	C	C	C	C	NC	--
6	Naveena Cluster	DNPS	DNPS	--	--	--	--
7	Thettivila Cluster	C	C	C	NC	--	--
8	Neyyatinkara Cluster	C	C	C	C	C	--
9	Payyanoor Cluster	C	C	C	C	NC	--
10	ICON Cluster	C	C	C	C	C	--
11	Morzazha Cluster	C	C	C	C	NC	--
12	Kalliasseri Cluster	C	C	C	C	C	--
13	Chirakkal Cluster	C	C	C	C	C	--
C=Completed, NC= Not Completed, DNPS = Did Not Participate in the Survey <i>Source: Field Survey</i>							

The study revealed that 85 percent of the sample clusters could complete the Stage-1 and II successfully. This indicates that handloom clusters in Kerala selected for CDP were apt, appropriate and had carried out the soft interventions effectively. This can also be construed as the success of the CDE in evaluating the common requirements of weavers /societies in the cluster, taking all the stakeholders into confidence. The study further revealed that 9 clusters except Travancore and Thettivila could complete upto Stage III. This is 69 percent of the sampled clusters. The reason for the slow implementation of clusters in these two clusters is attributed to lack frequent change of Clusters Development Executive. In the case of Travancore, the difference of opinion among the participating societies members is also attributed to its slow implementation.

With respect to the implementation of Stage IV, the study revealed that 38 percent of the sampled clusters could undertake successfully. The reason for delay in initiating steps for setting up the CFC is attributed to the failure of the cluster members in arriving at consensus on the location of the CFC and also partially because of the objection of the local bodies. Further the study revealed that none of the sample cluster could commission the CFC, ie the Stage V.

Thus none of the clusters could complete all stages successfully indicating weak linkages in the implementation of the cluster. All the sample clusters have failed in executing the stage V, ie commissioning of the CFC. This is because of the lack of consensus on the choice of location. Another important factor that stood in their way of implementing the Dye House is the objection from the local bodies. All 11 clusters except Travancore and Thettivila could complete upto Stage III. This is 85 percent of the sampled clusters. The reason for the slow implementation of works in these two clusters is attributed to lack/ frequent change of Clusters development Executive. In the case of Travancore, the difference of opinion among the participating societies members is also attributed to its slow implementation. It is equally interesting here to note that 38 percent of the sample clusters have completed stage IV also. This indicates that the CDE's are performing fairly well in almost all clusters except in Thettivila and Travancore.

PART-II AN ENTERPRISE ANALYSIS

5.2 An Enterprise Analysis

The Part -1 of the analysis presented the performance of the Handloom Co-operative societies in Thiruvananthapuram and Kannur Districts during the pre and post cluster intervention period from its institutional aspect. In general, it tried to give an overview of the impact of cluster development programme in

overcoming the operational weakness of the handloom co-operative societies which joined the Programme. The next exercise is to understand whether such intervention was meaningful and if it was meaningful, to what extent, it helped the revival of handloom co-operative societies in Kerala. Intervention can be said to be meaningful, if it made positive changes / impact on the profitability and sustainability of operations of the handloom co-operative societies which joined the cluster. This is examined through the following aspects;

1. Turnover
2. Net Profit/Net Loss
3. Accumulated Loss
4. Net worth

The data for the financial analysis are mainly taken from the financial statements (both audited and unaudited) and the record of the co-operative societies selected for the study.

5.2.1 Turnover

Turnover is the sales volume, net of all discounts and sales tax. It represents the value of goods and services provided to the customers during a specified time period, usually a year. It generally indicates the income generating capacity of a unit over a period. Higher the turnover, better the income generation. The handloom industry in Kerala is a “low volume -low market- low margin” business. For such an industry, a fall in volume will push the margin further down, making survival of the industry difficult.

The study revealed that the turnover of the CMS during the pre-intervention period was at an increasing rate. However it had come down by 3 percent for the period from 2008 to 2012, mainly attributed to the Global

Meltdown. In the case of N-CMS, the decline which was 15 percent during the period from 2008 to 2012, indicating that the societies are still struggling to get out of the crisis. Table No.5.63 shows the situation clearly.

Table No.5.63 Change in Turnover of Societies form 2005 to 2012 (Rs.)

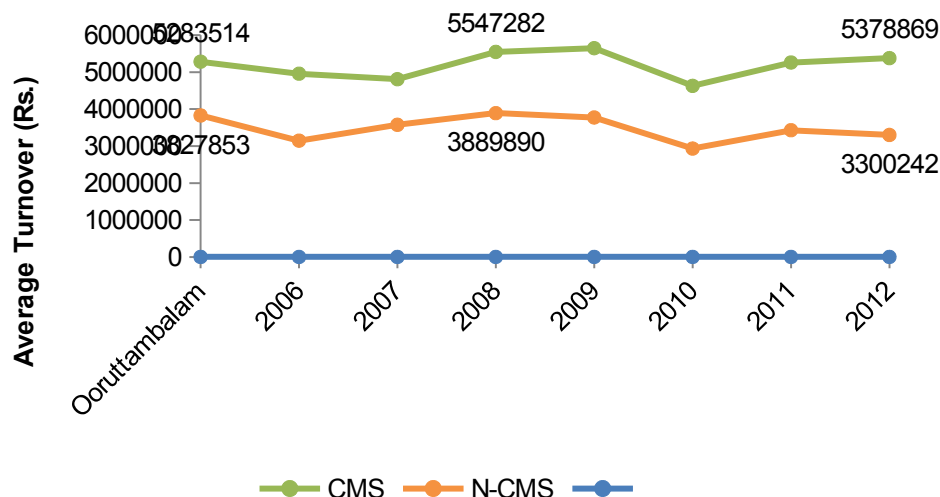
		Year							r p	r p	
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11			31.03.12
AVERAGE	N/C	2219075	20820	20199	23298	23721	19442	22097	22591	4.99	-3.04
	N/C	3827853	31465	35751	38898	37738	29318	34288	33002	1.62	-
AVERAGE	N/C	4	715	779	902	925	952	481	424	--	15.1
	N/C	5283514	49573	48093	55472	56480	46291	52613	53788	--	--
AVERAGE	N/C	19	73	82	90	90	60	43	69	--	--
	N/C	3827853	31465	35751	38898	37738	29318	34288	33002	--	--
		72	78	90	93	95	48	42			

Source: Audited Balance Sheet of the Societies

The average turnover of the societies which was Rs.5283514/- in 2005 had increased to Rs. 5547282/- in 2008 and then got reduced to Rs. 5378869/-. This means that CMS could arrest/check the decline in the turnover.

The Figure No. 5.11 shows the changes in the turnover of handloom co-operative societies under study, pertaining to the period from 2005 to 2012.

Figure No5.11 Average Turnover of societies (2005-2012)



It can be seen that total turnover for CMS and N-CMS move almost in the same fashion. The increase in the turnover of the societies during 2006, 07 & 08 period was mainly attributed to the Marketing incentive extended by the Central Government. The withdrawal of Marketing subsidy by the Central Government in 2009 and the global recession during 2008-09 made a big impact on the turnover of the societies and as is seen from the chart above, the turnover of CMS and N-CMS had come down to the lowest in the decade in 2010. However, the turnover started picking up since 2011 and the momentum continued in the case of CMS. This is attributed to certain sustainable systems put in place due to the cluster intervention in these societies.

5.2.2 Net Profit/Loss

Net profit is a measure of the profitability of a venture, after accounting for all costs. In accounting, Net profit is equal to the Gross Profit minus overheads minus interest payable for a given time period. Profit commonly

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means excess of total revenue over the total expenses of that business. It is also called net income. (Gupta & Radhaswamy,1984). One of the important objectives of every business concern is to earn a surplus of income over expenses. The success of any business depends to a great extent on its profit earning capacity, called profitability. While gross profit is the excess of sales over cost of goods sold, Net Profit shows the true profit after providing for all expenses.

Net Profit = Gross Profit - All expenses and losses

This research has taken Net Profit/Loss to understand the profitability of operation of the societies. The average net profit/loss of the CMS and non-CMS are given in the Table No.5.64

Table No.5.64 The Change in Net Profit (-Loss) Societies from 2005 to2012

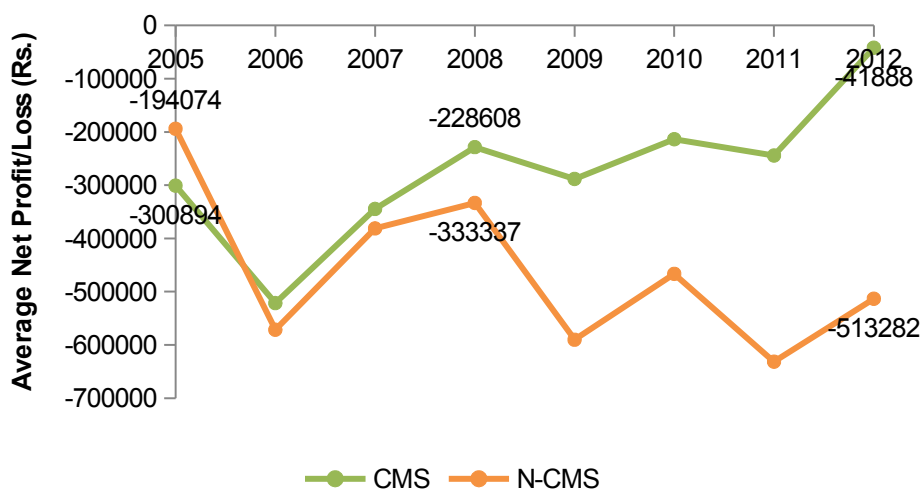
		Year							e	e	
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11			31.03.12
AVERAGE	NET C	-	-	-	-	-	-	-	-	24.0	81.6
	NET CM	1940741	57151	38131	33333	59027	46653	63147	51328	71.7	53.9
	NET CM	-300894	-	-	-	-	-	-	-41888	--	--
	NET CM	-194074	57151	38131	33333	59027	46653	63147	51328	--	--

Source: Audited Balance Sheet of the Societies

The study revealed that the CMS had an average Net loss of Rs.228608/- during the year ending 31.07.2008 and that has come down to 41888/- during the year 2012, ie for the period from 2005 to 2008, the Net Loss has come down by 24 percent and for the period from 2008 to 2012, it came further down by 81 percent. And the trend is likely to continue. The downward movement of

Net Loss or reduction in the loss shows that the profitability of operation is increasing year after year. On the other hand, in the case of the N-CMS, Net Loss for the period from 2005 to 2008 increased by 71 percent and the period from 2008 to 2012 by 53 percent, indicating the N-CMS improve their performance.

The Figure 5.12 shows movement of the Profitability of the operations of these two types of handlooms societies since 2005 to 2012.

Figure 5.12 Average Net Profit/Loss (2005-2012)

The Net Loss of N-CMS was lower in 2005 and 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 these years due to the Marketing Incentive by the Central and state Government. 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 coming down. While the decrease in Net loss in CMS has come down steadily. It even crossed the 2005 point -where the net loss was very minimum- to limit the Net loss to less than Rs.50,000/-, indicating higher profitability of operations.

5.2.3 Accumulated Loss

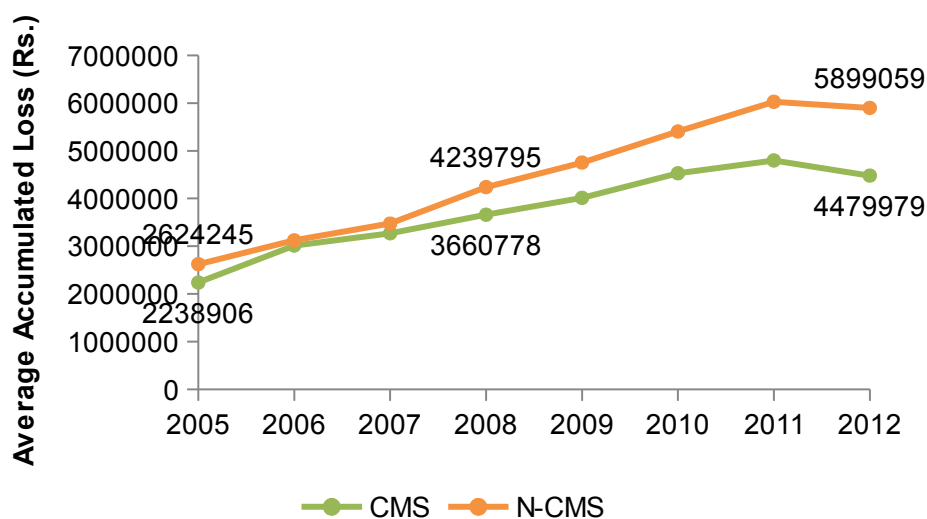
In addition to the Net Profit /Loss, the accumulated Loss of the societies over the years will give a clear picture of their profitability from operations. The y-o-y movement of Accumulated Loss is shown in Table 5.65.

Table No.5.65 Change in Net Profit (-Loss) of the Societies from 2005 to 2012

		Year							e	e	
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11			31.03.12
AVERAGE/AL	N-C	9403405	12662	13741	15375	16858	19026	20153	18815	63.5	22.3
	N-CMS	2624244	31227	34750	42397	47539	54047	60278	58990	61.5	39.1
	CMS	2238906	30149	32717	36607	40139	45300	47985	44799	--	--
	N-CMS	2624245	31227	34750	42397	47539	54047	60278	58990	--	--

Source: Audited Balance Sheet of the Societies

The table shows that the accumulated loss was to the tune of Rs.22,38,906/- Rs. 36,60,778/- and Rs.44,79,979/- respectively for the years 2005, 2008 and 2012 for the CMS and Rs.2624245/- Rs. 42,39,795/- and Rs. 58,99,059/- respectively for N-CMS. From the year 2005 to 2008, the accumulated loss had increased by 64 percent and 61 percent respectively for CMS and N-CMS. However, from 2008 to 2012, increase of average accumulated loss has come down by 22 percent and 39 percent in the case of CMS and N-CMS. In other words, the Accumulated Loss in CMS, which had increased by 64 percent during 2005-08 period, has come down to just 22 percent for the period from 2008 - 2012. The higher reduction in accumulated loss in CMS is attributed to the success of the cluster systems.

Figure No.5.13 Average Accumulated Loss (2005-2012)

The percentage accumulated loss to paid up share capital shows the pathetic financing position of the societies. Table No5.66 shows the study result.

Table No.5.66 Percentage of Accumulated Loss to Paid up Share Capital

Year	CMS		N-CMS	
	2008	2012	2008	2012
Average Accumulated Loss	3660778	4479979	4239795	5899059
Average Paid up share capital	1147622	1598573	964467	1389582
percentage of Accumulated Loss to Paid up Share Capital	319 percent	280 percent	440 percent	425 percent

Source: Audited Balance Sheet of the Societies

It may be noted that in the case of CMS, the erosion of networth is not severe compared to N-CMS. In the post intervention year the percentage of

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Accumulated Loss to the Paid up share capital was 319 percent. This has come down in the case of CMS in the post intervention by 280 percent. However, in the case of N-CMS the percent age of Accumulated Loss to Paid up Share Capital which was 440 percent has come down to 425 percent. Though CMS are comparatively better off than N-CMS, the higher percent age of Accumulated Loss to Paid up Share Capital that is prevalent in the handloom co-operative societies in Kerala are not encouraging and promising.

5.2.4 Net Worth

The net worth, sometimes called [net assets](#), is the total [assets](#) minus total outside [liabilities](#) of an individual or a [company](#). It is a key measure of how much an entity is worth. A consistent increase in net worth indicates good financial health; conversely, net worth may be depleted by annual operating losses or a substantial decrease in asset values relative to liabilities. In the business context, net worth is also known as book value or shareholders' equity.

The y-o-y movement of the Networth of the handloom co-operative is given Table No.5.67.

Table No.5.67 Change in Net worth of the societies from 2005 to2012 (Rs.)

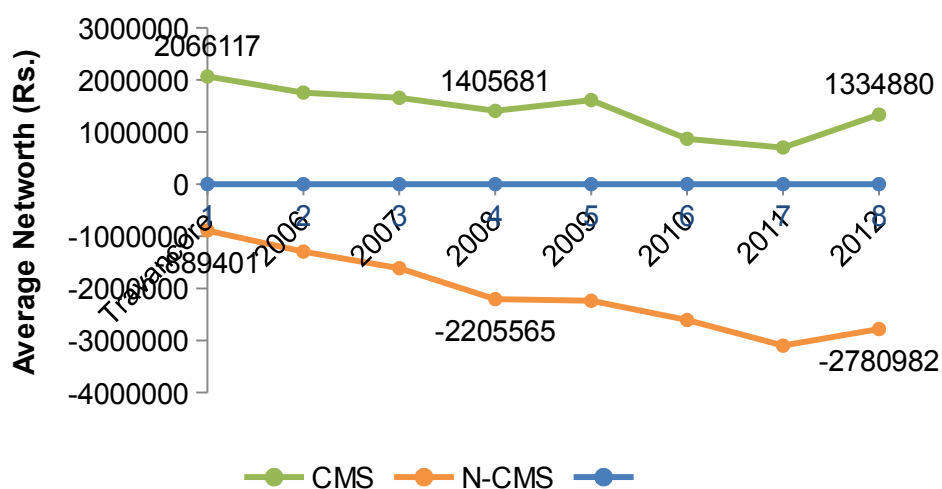
		Year								P	P
		31.03.05	31.03.06	31.03.07	31.03.08	31.03.09	31.03.10	31.03.11	31.03.12		
AVERAGE	N-C	8677690	73832	69592	59038	70022	36511	29559	56064	-	-5.04
	N-CM	-	-	-	-	-	-	-	-	-	-
	N-C	8894014	12939	16129	22055	22380	26078	30986	27809	147	26.0
	N-CM	2066117	17579	16569	14056	16671	86931	70379	13348	--	--
		16	66	81	96	0	4	80			
		-889401	-	-	-	-	-	-	-	--	--
			12939	16129	22055	22380	26078	30986	27809		

Source: Audited Balance Sheet of the Societies

The networth of the societies were Rs. 2066117, Rs. 1405681, Rs. 1334880/- for CMS during 2005 , 2008 and 2012. It was Rs.(-)889401/-, Rs. (-) 2205565/-, and Rs.(-)2780982/- for N-CMS during the same period. For the period form 2005 to 2008 the networth of the CMS had come down by 31 percent . However, the rate of reduction in the networth was much less during the period from 2008 to 2012. It had decreased by just 5 percent . In the case of N-CMS, the Networth had reduced by 140 percent during the 2005-2008 period. For the period from 2008 to 2012, networth had reduced by only 26 percent.

The Figure No.5.14 shows the y-o-y movement of Networth of the societies under study.

Figure No.5.14 Average Network (2005-2012)



The performance of sample handloom clusters are individually analysed using the same key parameters employed for the analysis of the performance

Chapter 5

variations of the handloom co-operative societies, studied. The results of the analysis are shown in Figures in Appendix No.III.

The analysis of the enterprise aspects reveals that there is an improvement in the profitability of operations of the handloom co-operative societies which joined the Programme and the trend is likely to be more sustainable as these societies have made cardinal interventions in their institutional aspects to overcome the operational weakness.

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FINDINGS, SUGGESTIONS & CONCLUSION

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.

The specific structural components of clusters covered under the study were 1. Human force, 2. Network for supplying the Raw material, 3. Technology and infrastructure up-gradation, 4. Network for accessing Market, 5. Finance and Investment Aid and 6. Co-ordination.

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

	CMW				N-CMW			
	2008		2012		2008		2012	
	Freque ncy	Per cent	Freque ncy	Per cent	Freque ncy	Per cent	Freque ncy	Per cent
Upto 150 days	70	14.6	41	8.5	8	8.3	0	0.00
150-175	247	51.4	201	41.8	32	33.3	40	41.67
175-200	67	13.9	122	25.4	36	37.5	42	43.75
200-225	32	6.7	46	9.6	17	17.7	8	8.33
>225	2	0.4	8	1.7	3	3.1	6	6.25
Did No Participate	63	13.1	63	13.1	0	0.0	0	0.00
Total	481	100.0	481	100.0	96	100.0	96	100.0 0

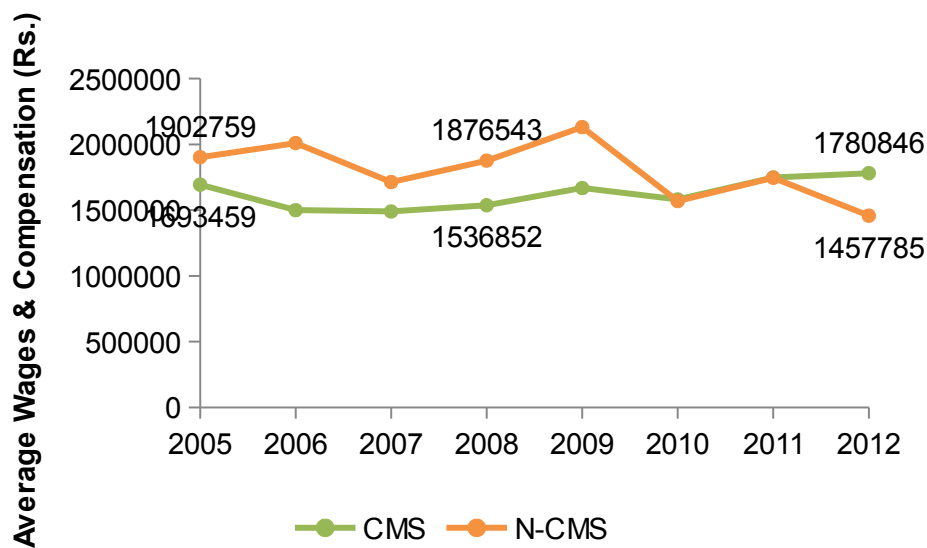
After the introduction of clusters, the workers find an increased job opportunity in the handloom sector, compared with the pre-cluster period, arguably on account of shortage labor supply and price elasticity nature of the handloom industry.

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, ie 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

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

	CMW				N-CMW			
	2008 Pre-IY		2012 Post- IY		2008		2012	
	F	P	F	P	F		P	
Open market	210	44	112	23.3	55	57.29	57	59.38
Hantex/Hanveev	139	29	99	20.6	18	18.75	13	13.54
Societies	69	14	207	43.0	23	23.96	26	27.08
Did Not Participate	63	13	63	13.1	0	0	0	0.00
Total	481	100	481	100.0	96	100	96	100.00

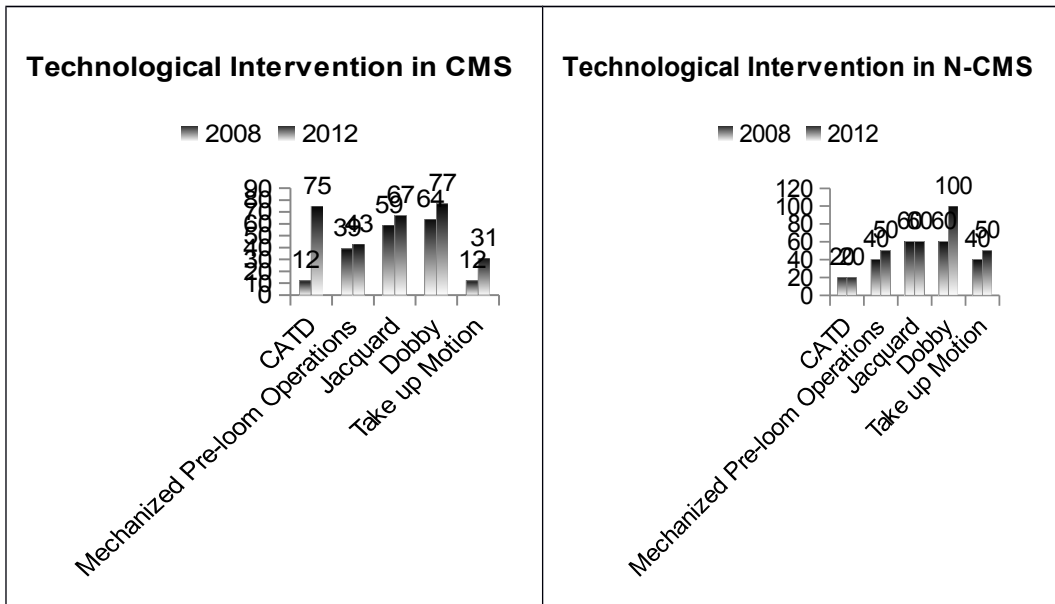
It may be noted from Table No.6.2, in the pre-intervention period 44 per cent of weavers purchased raw materials from the Open Market. However, with the introduction of ‘Yarn Bank’, the number of weavers who purchase raw materials from the open market had come down to 23.3 per cent. Purchase from Hantex/Hanveev 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 dobby 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 (%)



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

The Programme facilitated a higher level 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.

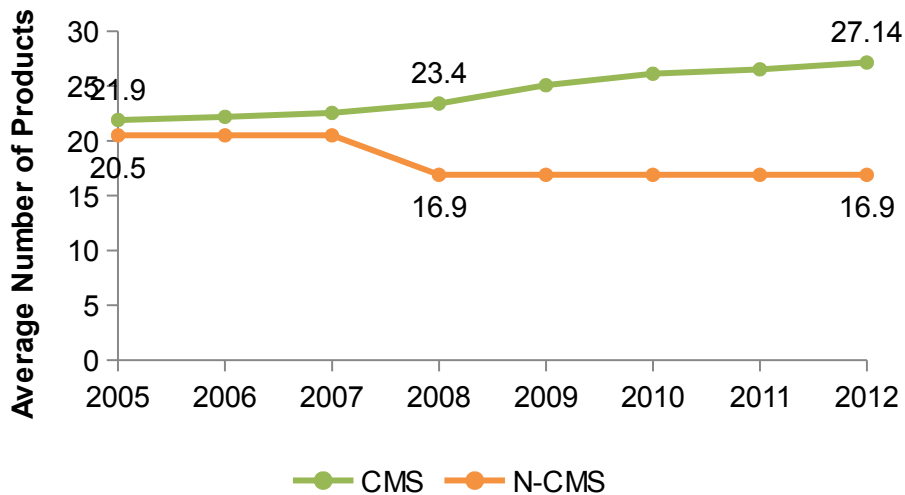
6.1.4 Network for Accessing Market:

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.

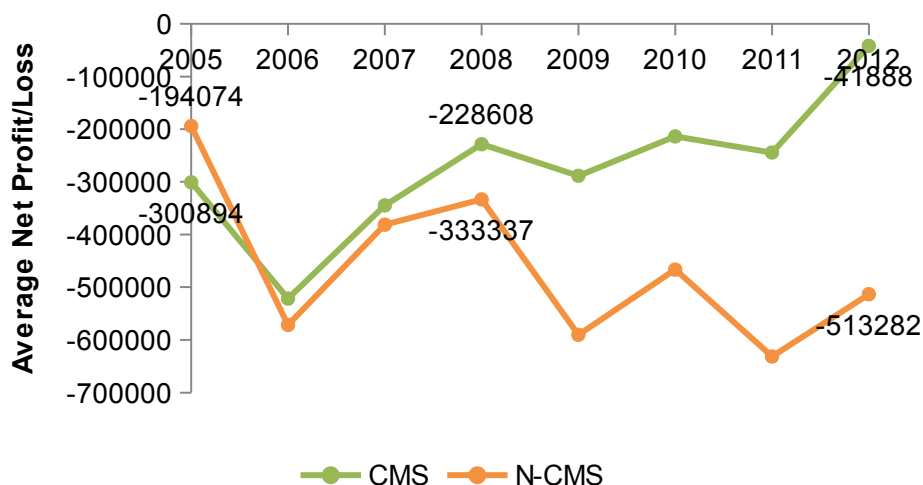
6.1.5 Finance and Investment Aid:

The Programme facilitated easy access to credit from financial institutions/banks, and encouraged weavers for collective bargaining, even in

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

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

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:

- a) 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.
- b) Provide incentive to societies to track new fashion trends, and change the product bouquet.
- c) Encourage participation in international and national expos.
- d) Encourage better linkages with retail chains in Kerala, especially for premium products over and above the existing ones.
- e) 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.
- f) 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

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

endorses 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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Appendix-I

Survey Schedule-I Handloom Cluster

PART-A											
1	Name of the Cluster										
2	No. of Members										
3	Member Societies of the cluster										
	#	Name of the Society		Total No. of members in society			Cluster Members				
4	Date of forming the cluster										
5	Date of formal approval by GoI										
6	Implementing Agency										
7	Date of commencing the activities										
PART-B											
		Year		2005	2006	2007	2008	2009	2010	2011	2012
	Particulars										
	Fund sanctioned by GOI										
	Fund received from GOI										
	Fund contributed by members										
	Amount of fund lapsed, if any.										
	Reasons for non-utilisation of funds										
PART-C											
1	No of training Programme conducted by the cluster, its duration and the no. of societies / weavers attended.										
2	No of Exposure Visits conducted by the cluster, and the no. of societies / weavers attended.										

3	Whether the cluster set up Yarn Bank of NHDC			
4	Whether the cluster appointed designer			
5	The details of the national & International exhibitions attended by the cluster			
6	Whether new products introduced, If so, its nos			
7	Steps taken for common brand building			
8	Whether any programme undertaken jointly with the handloom clusters in the nearby areas.			
9	Additional comments, if any,			
PART-D				
Completion of activities envisaged under Cluster (tick whichever is applicable)				
#	Activity	Started	In-progress	Completed
1	Status of Diagnostic Study and Soft Interventions			
2	Formation and Registration of Special Purpose Vehicle (SPV)			
3	Approval of Detailed Project Report			
4	Whether steps taken for setting up of Common facility Center (CFC)			
5	Commissioning of CFC			
PART-E				
1	Reasons, if the cluster could not achieve the targets			
2	If the cluster could achieve the targets, what are the future plans of the cluster?			
3	If the cluster could not achieve the targets, what are your plans to overcome the difficulties?			
5	Do you get sufficient support from the cluster implementing agency? Any suggestions for better implementation			

**Survey Schedule-II
HANDLOOM CO-OPERATIVE SOCIETIES (CMS)**

PART-A	
1	Name & Address of the society

2	District (Kannur/Trivandrum)		
3	Date of formation of the society		
4	Name and address of the cluster in which the society is a member.		
PART –B			
		2008	2012
Human Force			
1	No of Registered Members		
2	No of Active Members		
3	Total no of Members joined in the cluster		
4	Total no of looms		
5	Total no of working looms		
6	Steps take to improve the quality of labour		
7	Whether conducted any Training Programmes for the weavers		
8	Whether conducted any Exposure visits for the weavers		
Raw material			
1	Whether purchase from Open Market		
1	Whether purchase from Hantex/Hanvee		
2	Whether member of Common Purchase/Raw Material Bank/others		
2a	Its Impact on availability		
2b	Impact on prices raw material		
3	Others		
Technology			
1	No of looms		
2	Whether introduced Computer Aided Design Technology(CATD)		
3	Whether introduced Mechanised Pre-loom Operations		
4	Whether Jacquard Introduced		
5	Whether Dobby Introduced		
6.	Whether take-up motion is used		
7	Any other (indigenous) technology developed/ or being used		
	Network for accessing the market		

Appendices

1	Domestic Sales								
1a	Exhibition Sales								
1b	Sale through hantex /Hanveev								
2	Foreign Sales								
3	Steps taken for increasing the Product profile								
3.a	Advertising & Publicity								
3.b	Have developed Bands, If so Nos								
3.c	Use of Handloom Marl								
3.d	Website								
Financial supply and investment aid and									
1	Credit								
1.a	Availability of Primary Working Capital								
1.2	Availability of Secondary working Capital								
1.3	Availability of Incremental Working Capital								
2	Investment								
2.1	Form Gol								
2.2	Form GoK								
2.3	By Society								
Co-ordinating entity									
1	Problems encountered by the society as member in the cluster								
2	Do you attend any meeting on Cluster								
3	Are you happy with the support of the CDE and the Directorate?. Explain your expectation on their role in improving the performance of the handloom industry								
4	Drawback/limitation of cluster in improving the activities of the society, if any (tick whichever is applicable)								
5	Any suggestion to improve the functioning of the cluster?								
6	Further Support required from the cluster implementing agency								
7	Any other comment, suggestions & remarks								
PART-C (Date based on Balance Sheets)									
	Year	2005	2006	2007	2008	2009	2010	2011	2012
	Particulars								
1	Share capital (Rs)								
2	Value of production (Rs)								
3	Value of Domestic Sales (Rs)								
4	Value of Export Sales (Rs)								

5	Turnover of the society (Rs)								
6	Net profit (loss) of the society (Rs)								
7	Credit/grant to the society (Rs)								
8	No of products								
9	Working Capital								
10	Term Loan from banks and FI								
11	Reserves & Surplus								
12	Accumulated Loss								
13	Networth								

Survey Schedule-III
HANDLOOM CO-OPERATIVE SOCIETIES (N-CMS)

PART-A			
1	Name & Address of the society		
2	District (Kannur/Trivandrum)		
3	Date of formation of the society		
4	Reasons for Not joining the Cluster (Not Interested/Not aware/Any other reasons)		
5	Will you join the cluster, if given an opportunity (No/Yes.Dont Know)		
PART -B			
		2008	2012
Human Force			
1	No of Registered Members		
2	No of Active Members		
3	Total no of looms		
4	Total no of working looms		
5	Whether conducted any Training Programmes for the weavers		
6	Whether conducted any Exposure visits for the weavers		
Raw material			
1	Whether purchase from Open Market		
1	Whether purchase from Hantex/Hanvee		
2	Whether member of Common Purchase/Raw Material Bank/others		
2a	Its Impact on availability		
2b	Impact on prices raw material		
4	Others		
Technology			
1	No of looms		
2	Whether introduced Computer Aided Design Technology(CATD)		
3	Whether introduced Mechanised Pre-loom Operations		

4	Whether Jacquard Introduced									
5	Whether Dobby Introduced									
6.	Whether take-up motion is used									
7	Any other (indigenous) technology developed/ or being used									
A. Network for accessing the market										
1	Domestic Sales									
1a	Exhibition Sales									
1b	Sale through hantex /Hanveev									
2	Foreign Sales									
3	Steps taken for increasing the Product profile									
3.a	Advertising & Publicity									
3.b	Have developed Bands, If so Nos									
3.c	Use of Handloom Marl									
3.d	Website									
B. Financial supply and investment aid and										
1	Credit									
1.a	Availability of Primary Working Capital									
1.2	Availability of Secondary working Capital									
1.3	Availability of Incremental Working Capital									
2	Investment									
2.1	Form Gol									
2.2	Form GoK									
2.3	By Society									
C. Co-ordinating entity										
3	Are you happy with the support of the Handloom Directorate?. Explain your expectation on their role in improving the performance of the handloom industry									
5	Any suggestion to improve the performance of your society									
6	Further Support required from the Government									
7	Any other comment, suggestions & remarks									
PART-C (Date based on Balance Sheets)										
	Particulars	Year	2005	2006	2007	2008	2009	2010	2011	2012
1	Share capital (Rs)									

Appendices

2	Value of production (Rs)								
3	Value of Domestic Sales (Rs)								
4	Value of Export Sales (Rs)								
5	Turnover of the society (Rs)								
6	Net profit (loss) of the society (Rs)								
7	Credit/grant to the society (Rs)								
8	No of products								
9	Working Capital								
10	Term Loan from banks and FI								
11	Reserves & Surplus								
12	Accumulated Loss								
13	Networth								

Survey Schedule-IV Handloom Workers in the Cluster (CMW)

General Particulars						
1.	Name					
2.	Age					
3.	Sex					
4.	Place					
5.	Education status					
6.	Marital Status	Singl e	Marrie d	Wido w	Separated	widow
7.	No of dependents other than children	1	2	3	4	More than 4
8.	Category of employment	Wind er	Wrapp er	Weav er	Master weaver	Others
9.	Reasons for adopting this occupation (tick whichever is applicable)					
10.	a) Traditional occupation b) A good job opportunity of your choice c) A Lucrative job d) Others specify					
11.	No of persons in the household employed in handloom					
	One	Two	Three	Four	Five	
1	No of weavers in the household					
2.	One	Two	Three	Four	Five	
1	Years of experience in the handloom sector					
3.	Below 5 years	5 -10 years	10-15 years	15-20 years	25 years	
Economic Particulars						
					2008	2012
A						
1	Salary (Wage per day)					

Appendices

2	Housing		
3	Medical		
4	PF		
5	Other (CTF, Chits)		
6	No of working days in an year		
B	Training & Skill Up gradation		
1	Training Programme attended		
2	Exposure visit		
3	Job rotation/ Value addition in job (no of job)		
4	Output (Change in quantity)		
5	Output (Change in quality/nature of work)		
6	Changes in working environment		
7	Others		
C	Where do you procure raw materials from (Open market/Hantex/Societies/NHDC)		
D	Whom do you sell your product (Master Weavers/Hantex/Societies/Open market)		
E	As a weaver, what is your suggestion to improve the performance of the handloom industry.		

Survey Schedule-V
SURVEY SCHEDULE – (N-CMW)

General Particulars						
12.	Name					
13.	Age					
14.	Sex					
15.	Place					
16.	Education status					
17.	Marital Status	Singl e	Marrie d	Wido w	Separated	widow
18.	No of dependents other than children	1	2	3	4	More than 4
19.	Category of employment	Wind er	Wrapp er	Weav er	Master weaver	Others
20.	Reasons for adopting this occupation (tick whichever is applicable)					
21.	e) Traditional occupation f) A good job opportunity of your choice g) A Lucrative job h) Others specify					
22.	No of persons in the household employed in handloom					
	One	Two	Three	Four	Five	
1	No of weavers in the household					
2.	One	Two	Three	Four	Five	
1	Years of experience in the handloom sector					
3.	Below 5 years	5 -10 years	10-15 years	15-20 years	25 years	
Economic Particulars						
					2008	2012
A						
1	Salary (Wage per day)					

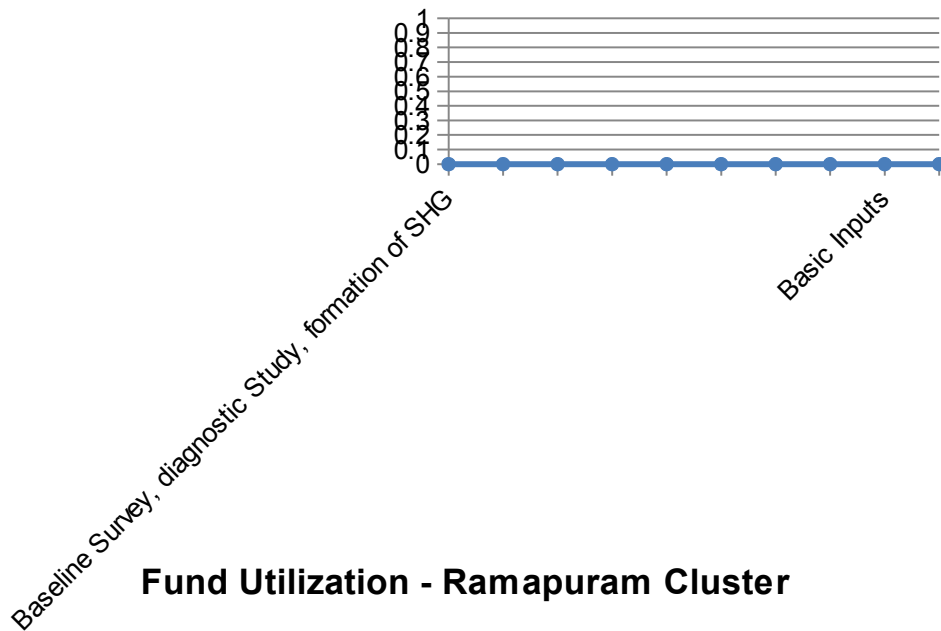
Appendices

2	Housing		
3	Medical		
4	PF		
5	Other (CTF, Chits)		
6	No of working days in an year		
B	Training & Skill Up gradation		
1	Training Programme attended		
2	Exposure visit		
3	Job rotation/ Value addition in job (no of job)		
4	Output (Change in quantity)		
5	Output (Change in quality/nature of work)		
6	Changes in working environment		
7	Others		
C	Where do you procure raw materials from (Open market/Hantex/Societies/NHDC)		
D	Whom do you sell your product (Master Weavers/Hantex/Societies/Open market)		
E	As a weaver, what is your suggestion to improve the performance of the handloom industry.		
F	Reason for not joining the cluster		
G	Would you join the cluster in given an opportunity		

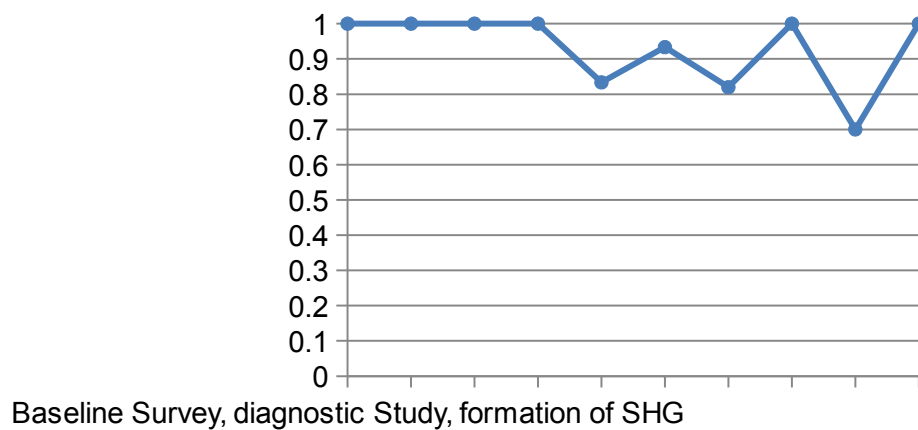
Appendix-II

Fund Utilization Pattern By the 24 Handloom Clusters In Kerala, Sanctioned under IHDS-CDP during 2006-07

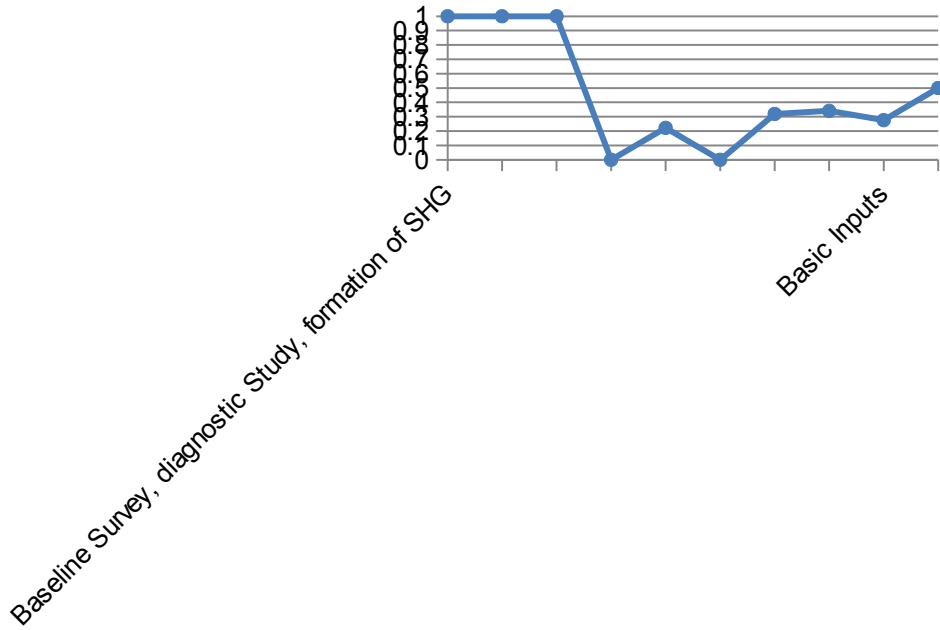
Fund Utilization - Nedumangadu Cluster



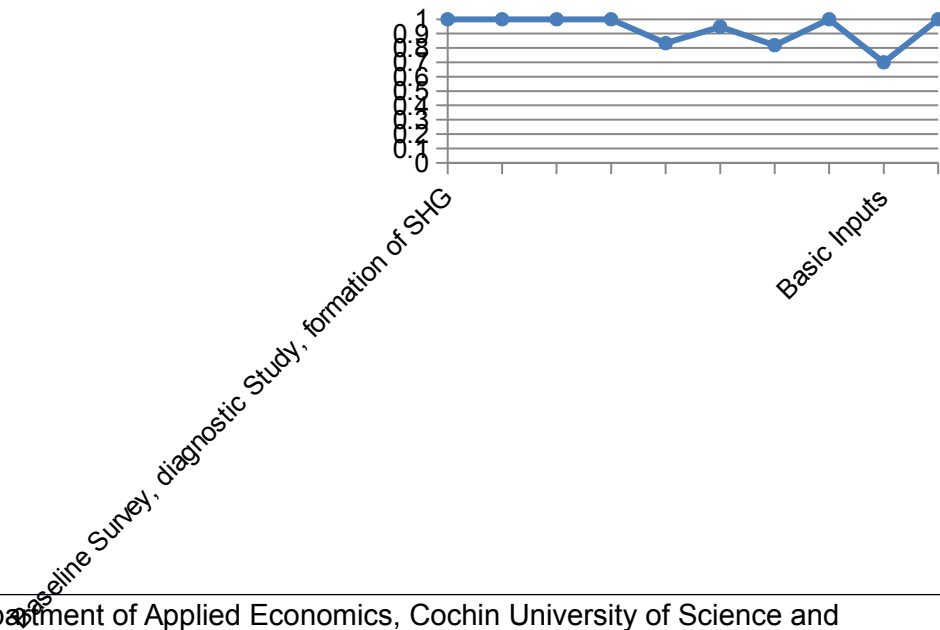
Fund Utilization - Ramapuram Cluster



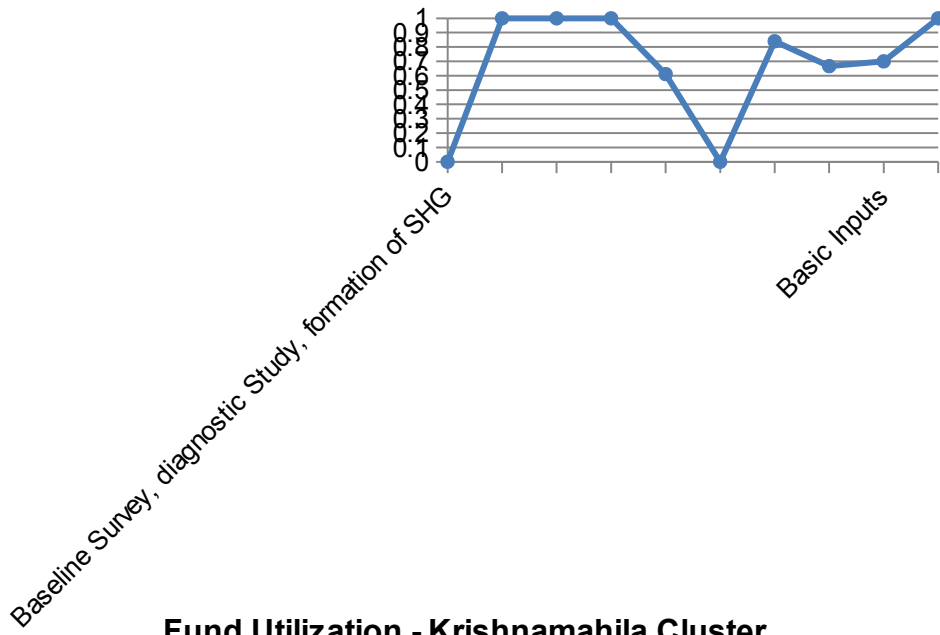
Fund Utilization - Bhagavathy Nada Cluster



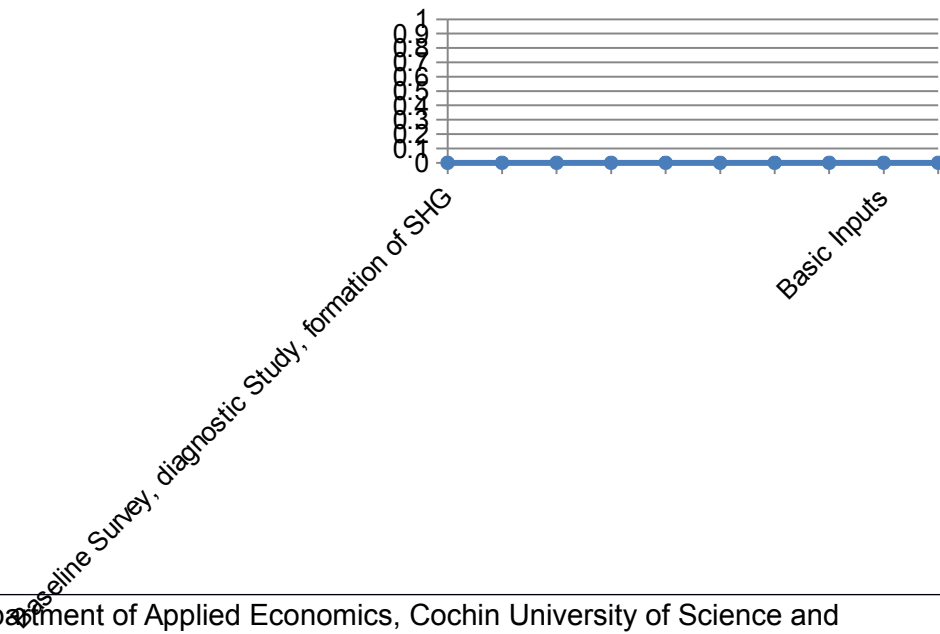
Fund Utilization - Swadeshi Cluster



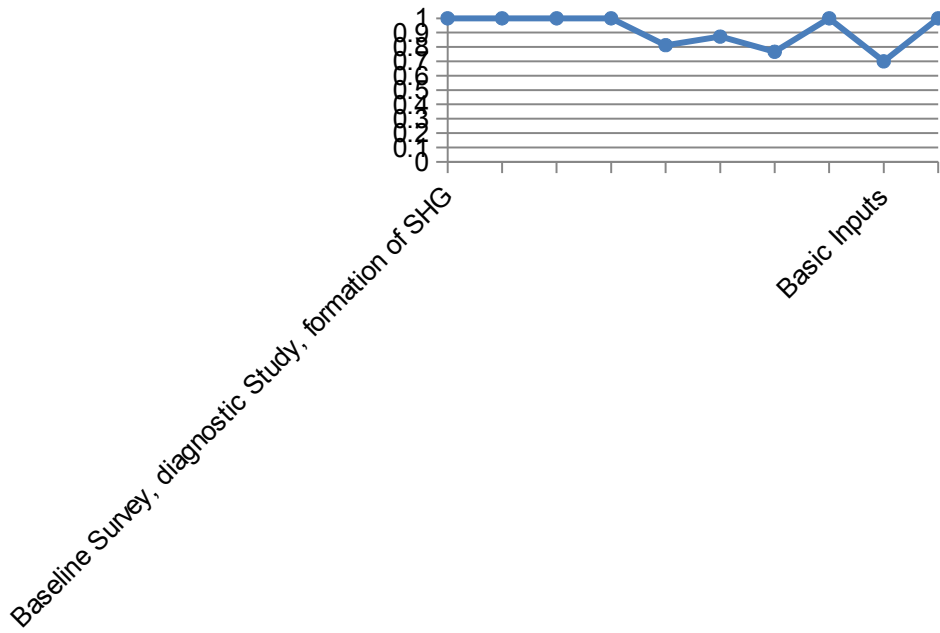
Fund Utilization - Thettivila Cluster



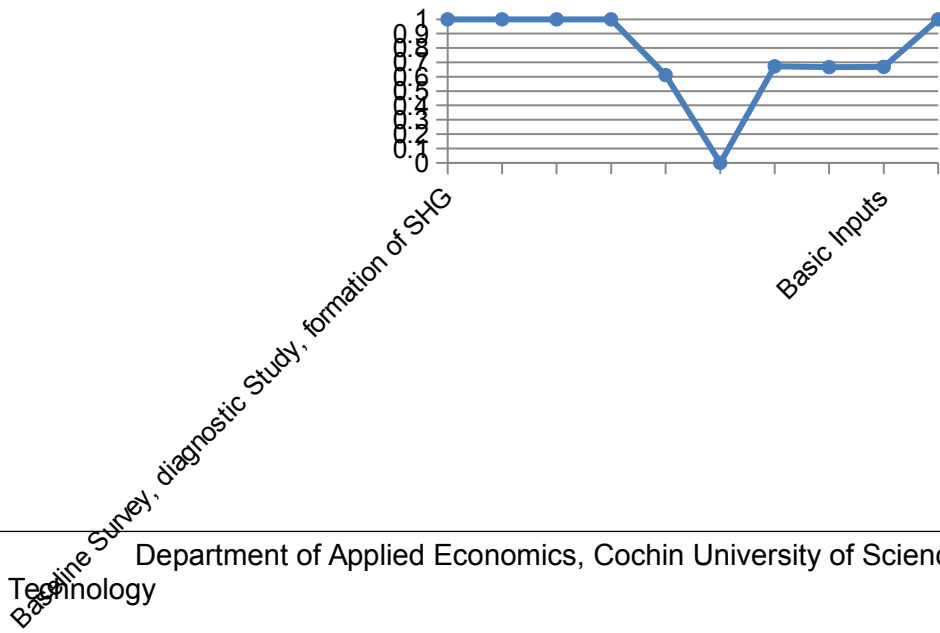
Fund Utilization - Krishnamahila Cluster



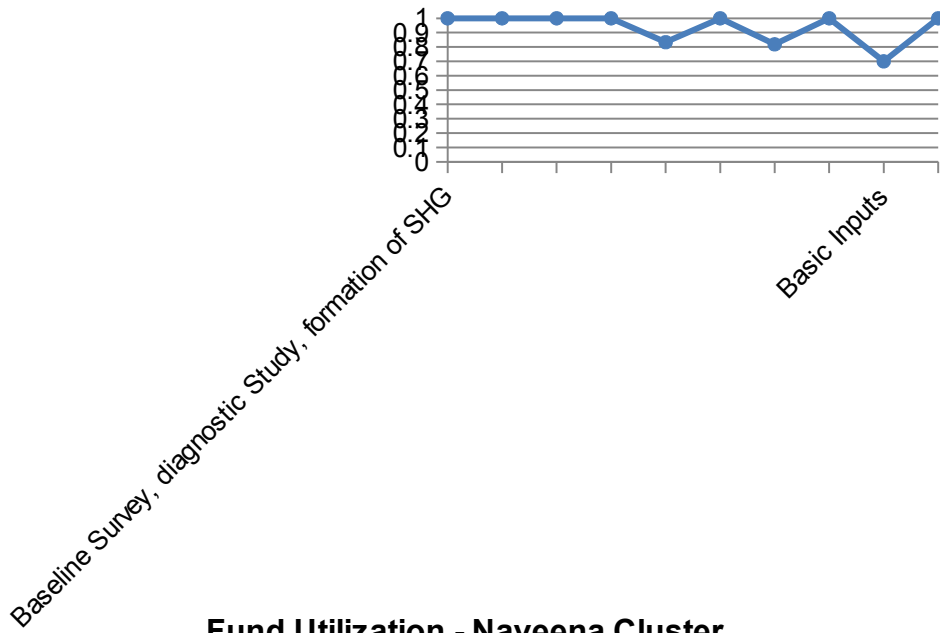
Fund Utilization - Kozhode Cluster



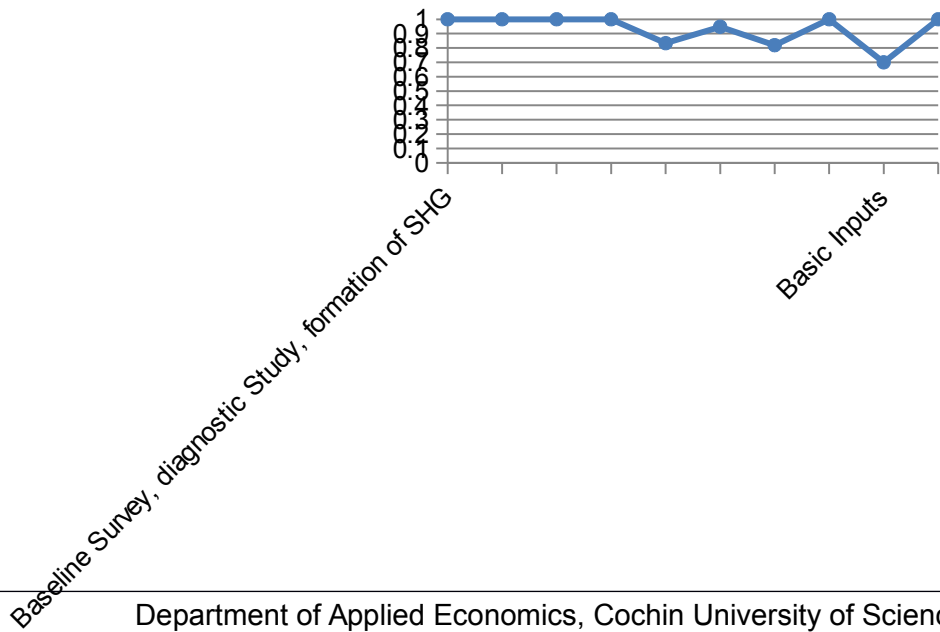
Fund Utilization - Travancore Cluster



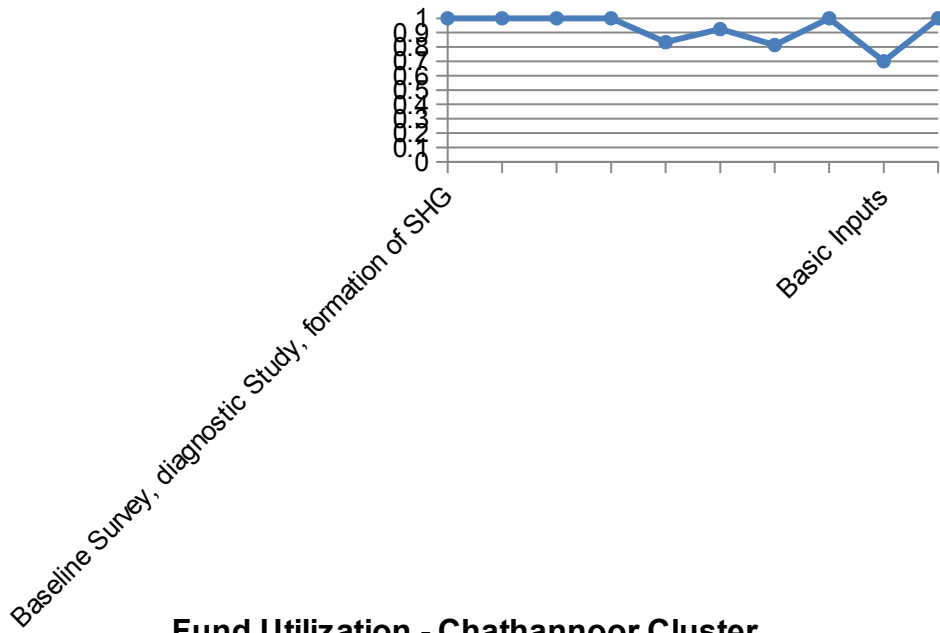
Fund Utilization - Ooruttambalam Cluster



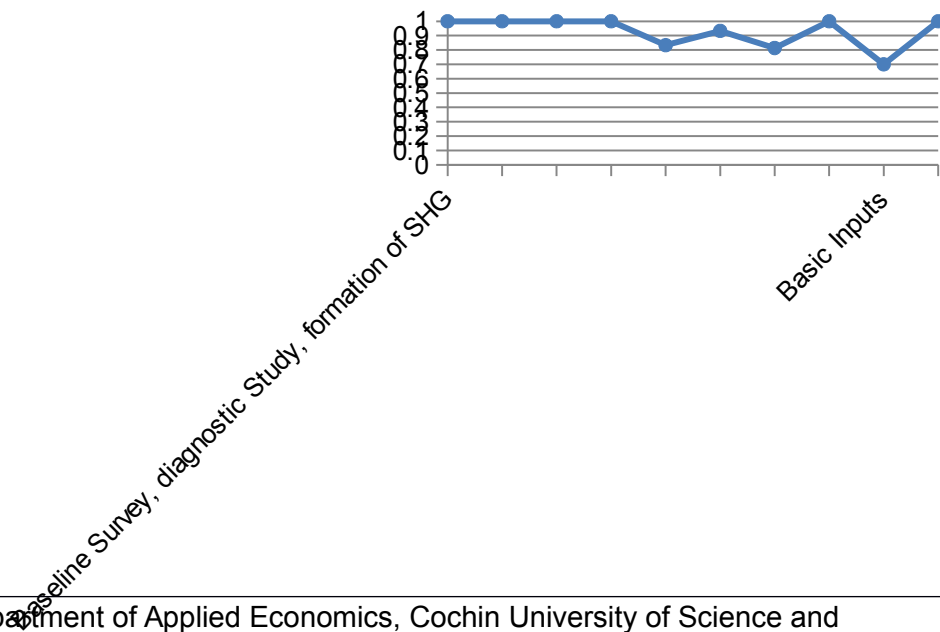
Fund Utilization - Naveena Cluster



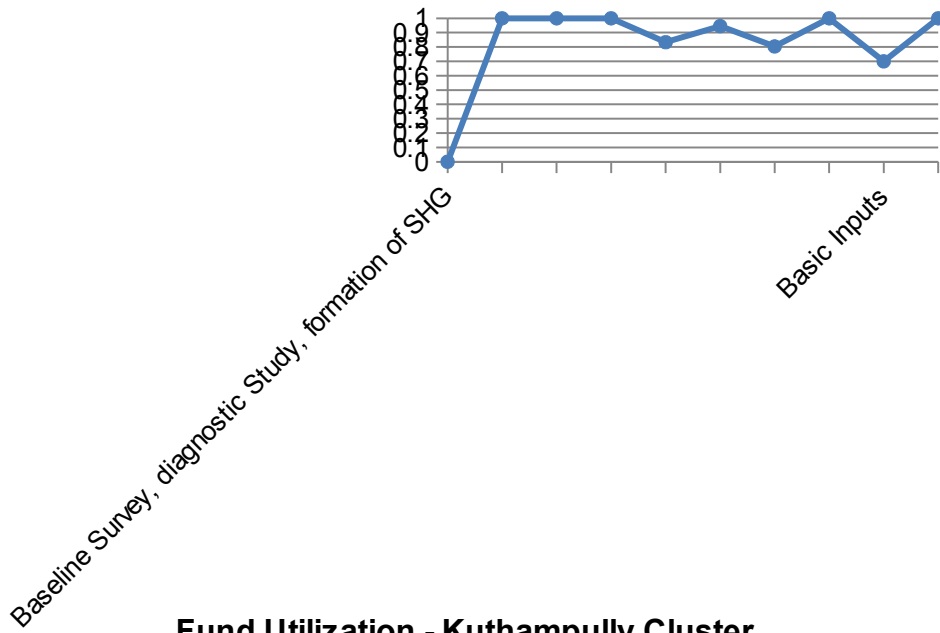
Fund Utilization - Neyyattinkara Cluster



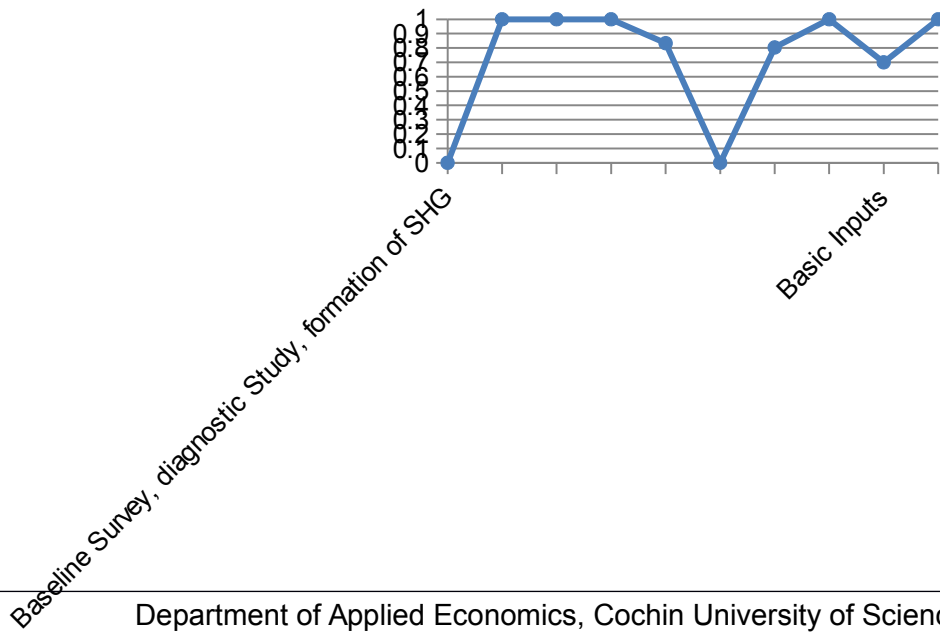
Fund Utilization - Chathannoor Cluster



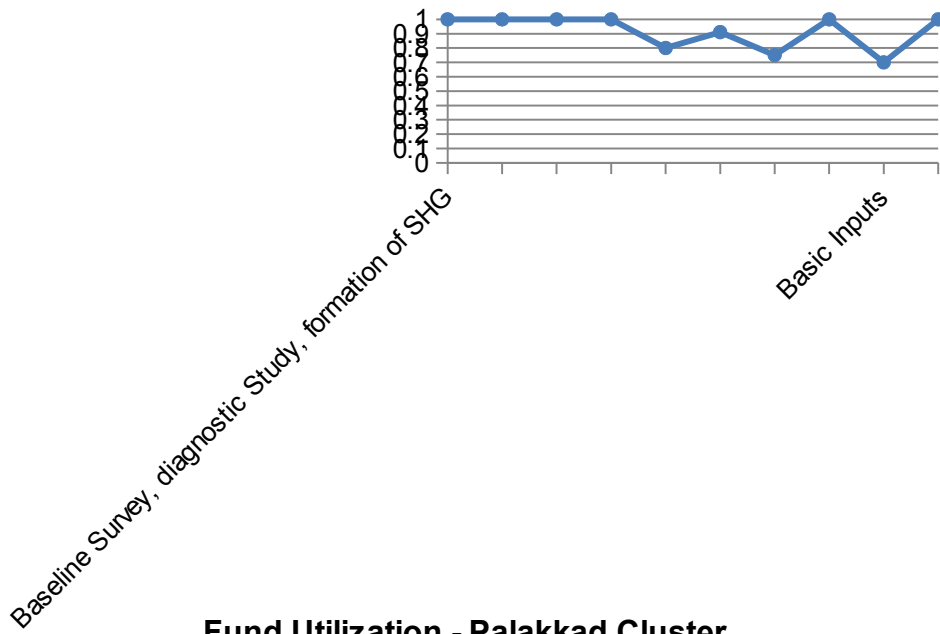
Fund Utilization - Chennamangalam Cluster



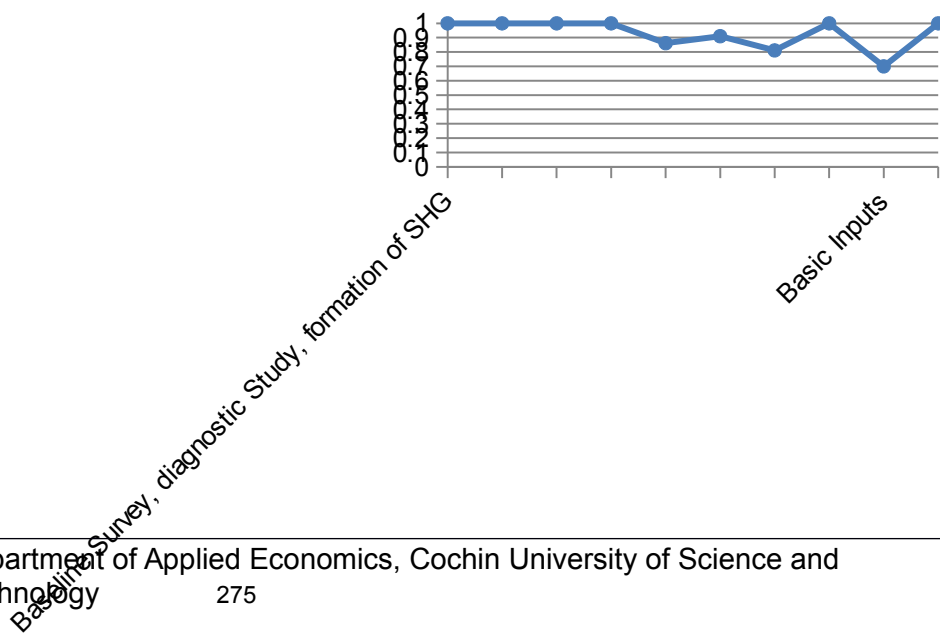
Fund Utilization - Kuthampully Cluster



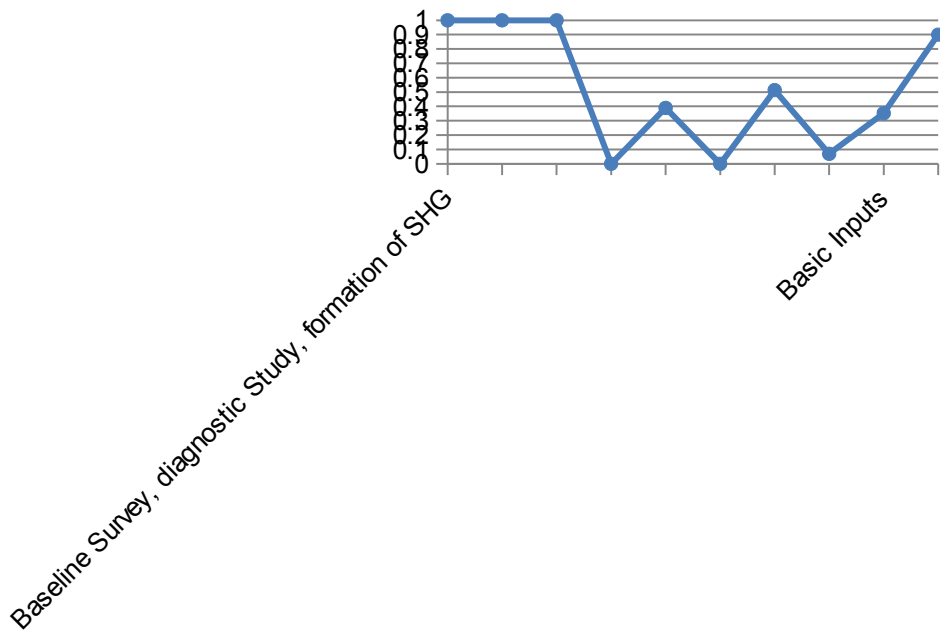
Fund Utilization - Elappully Cluster



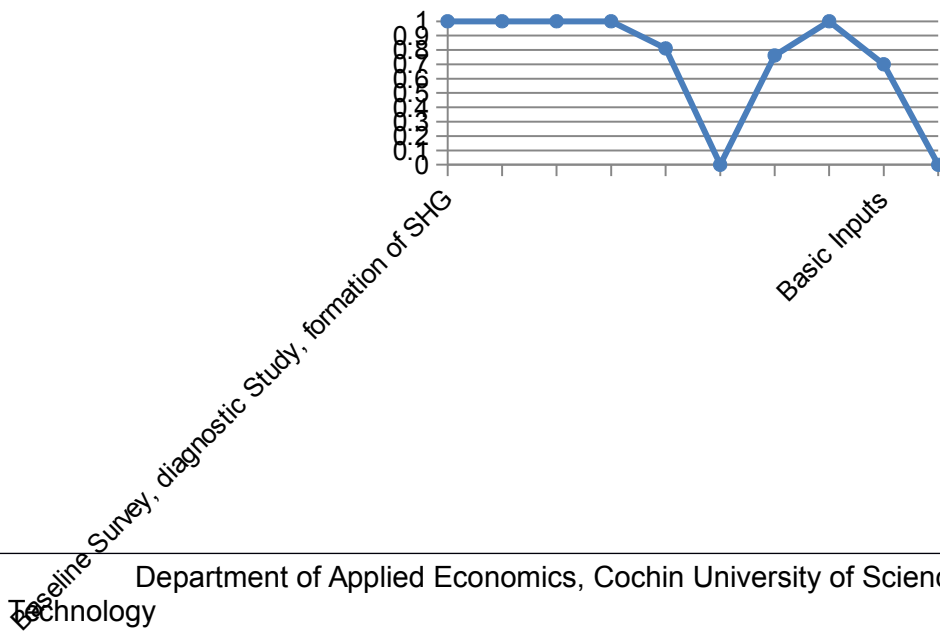
Fund Utilization - Palakkad Cluster



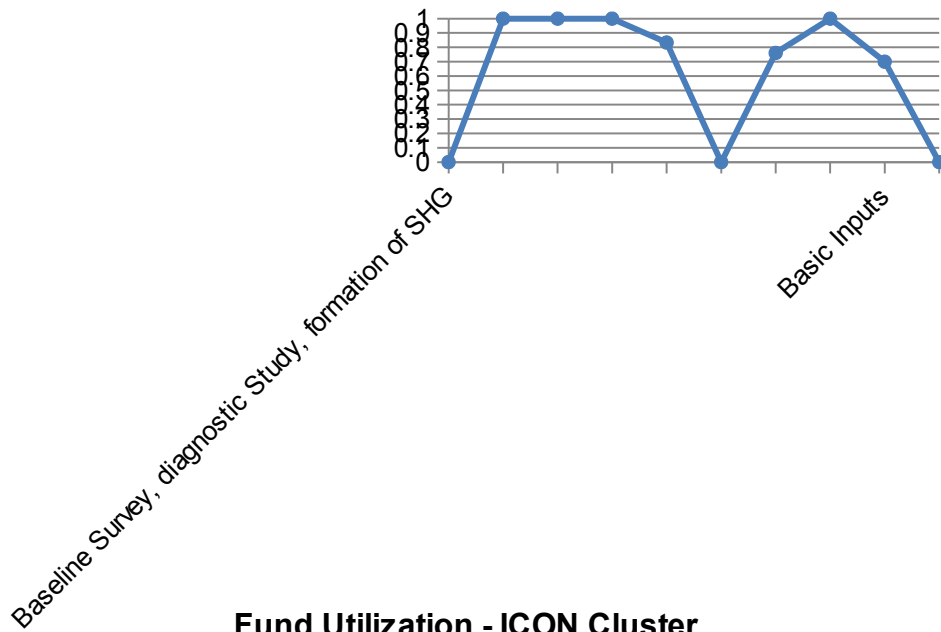
Fund Utilization - Sreepadam Cluster



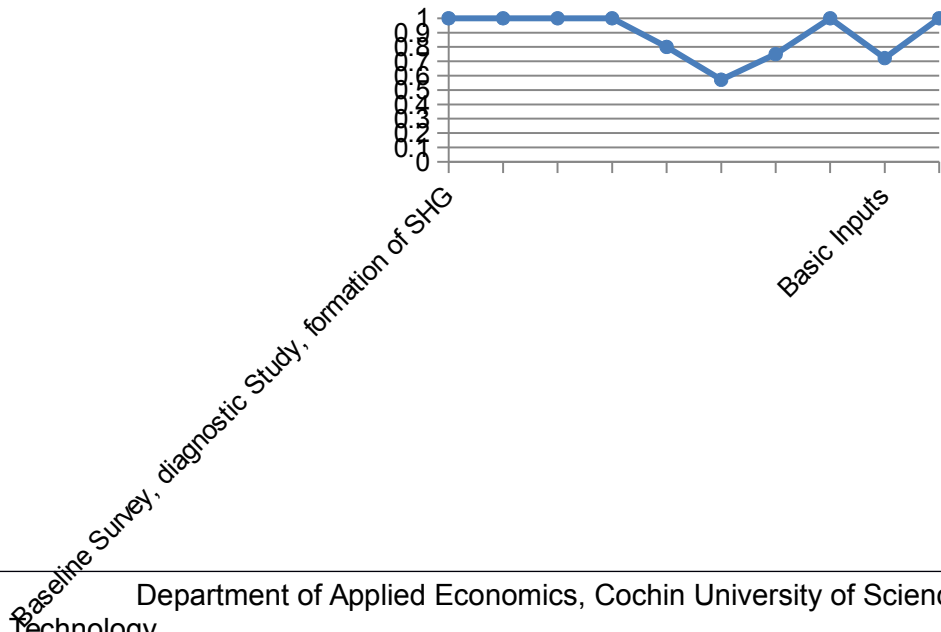
Fund Utilization - Kozhikode Cluster



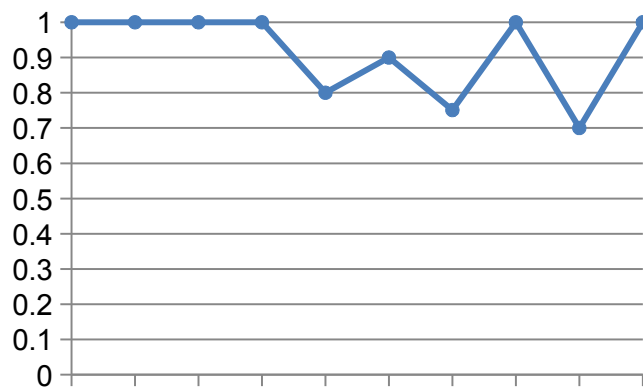
Fund Utilization - Vadakara Cluster



Fund Utilization - ICON Cluster

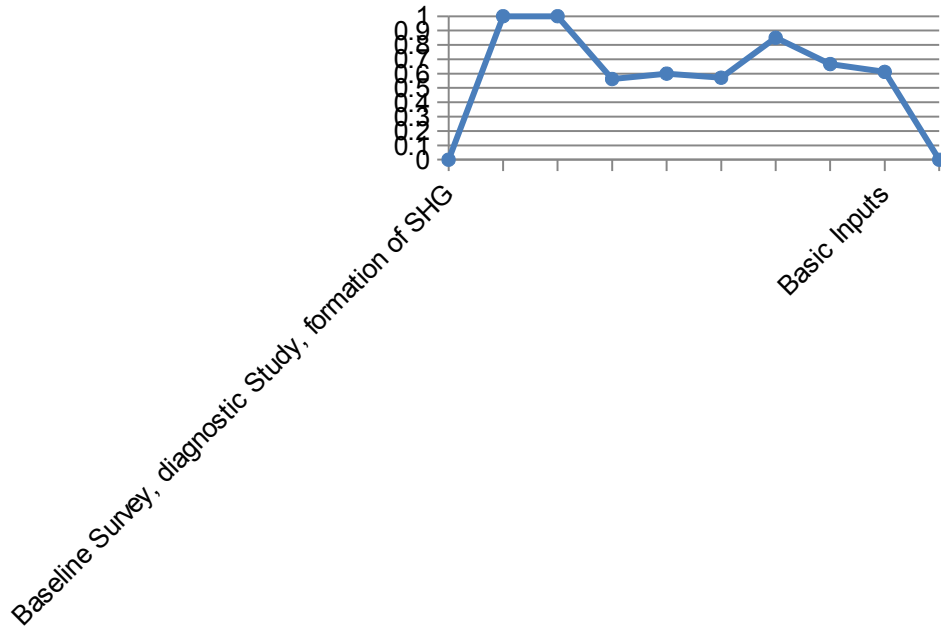


Fund Utilization - Kalliassery Cluster

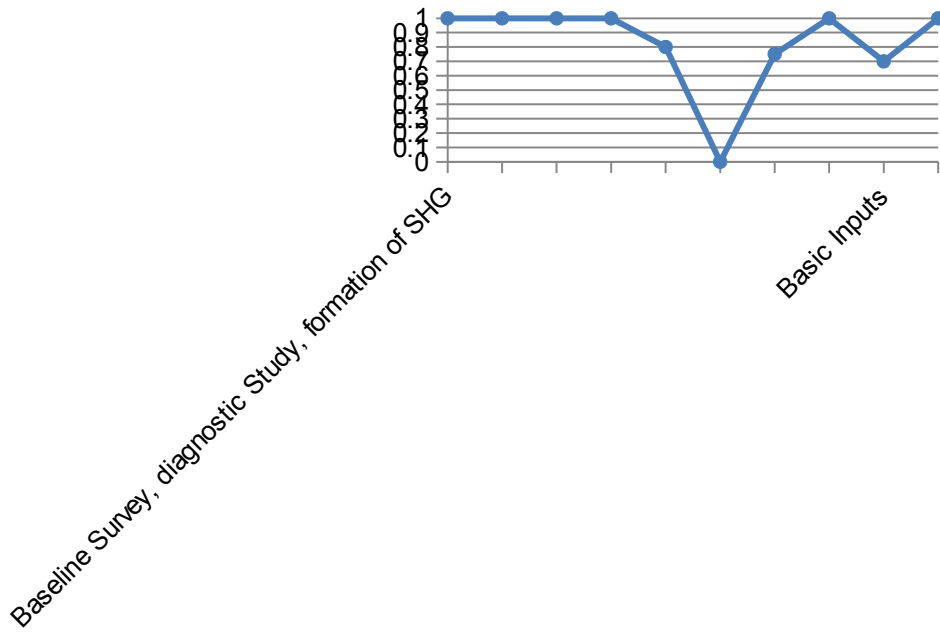


Baseline Survey, diagnostic Study, formation of SHG

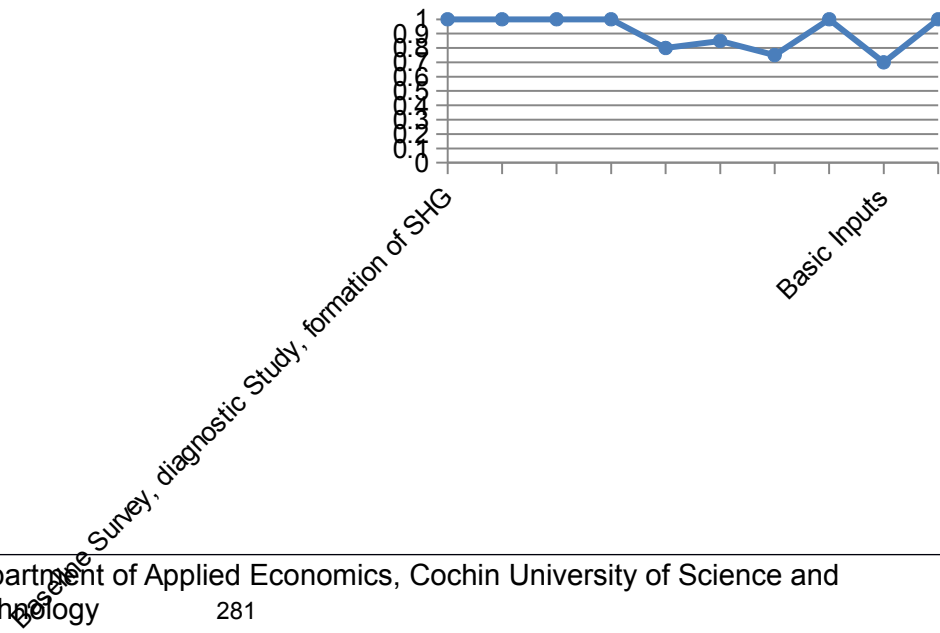
Fund Utilization - Payyannoor Cluster



Fund Utilization - Morazha Cluster

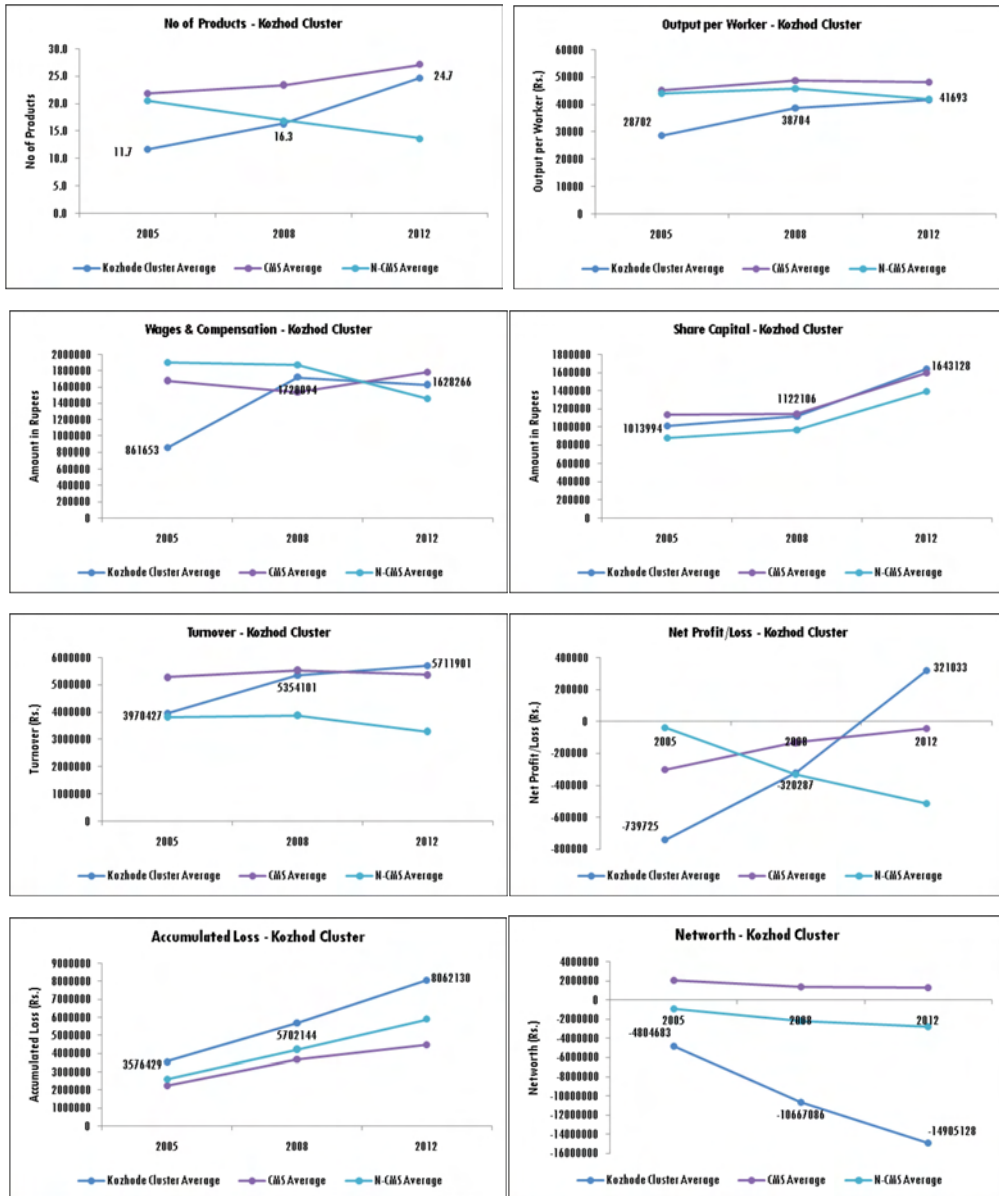


Fund Utilization - Chirakkal Cluster

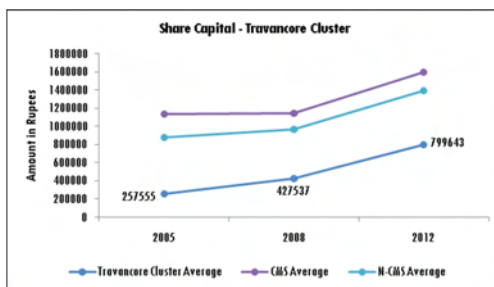
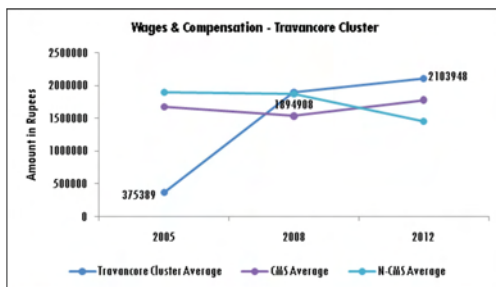
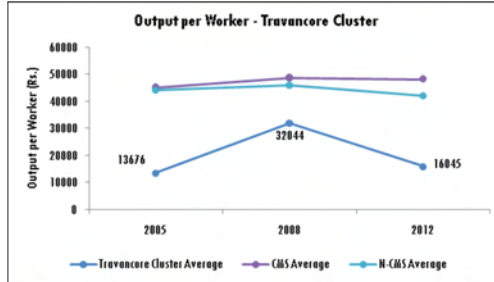
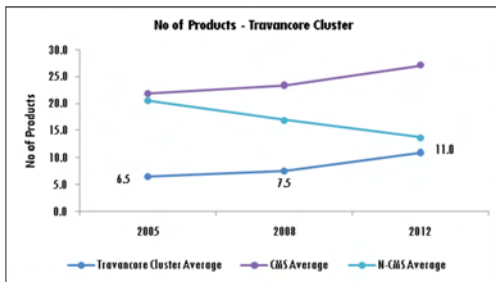


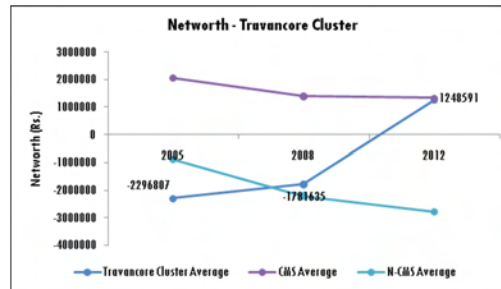
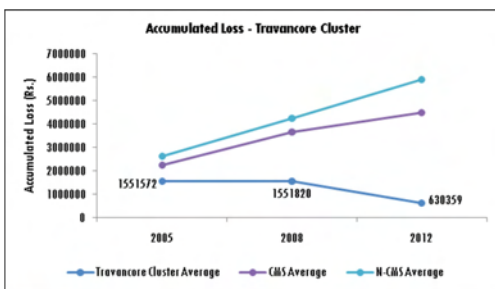
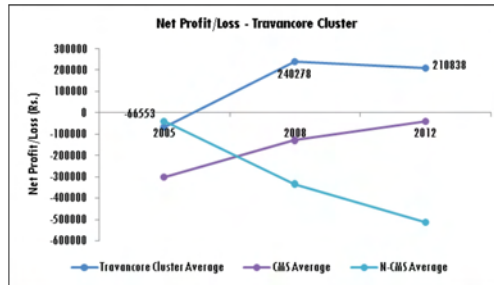
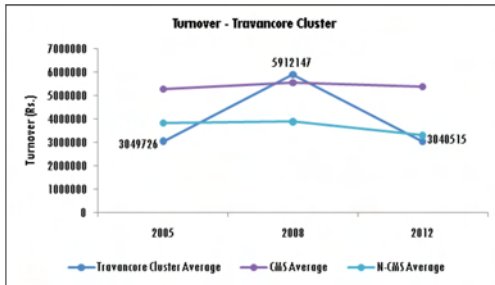
Appendix-III

Kozhode Handloom Cluster



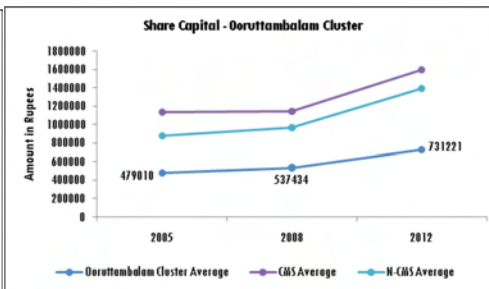
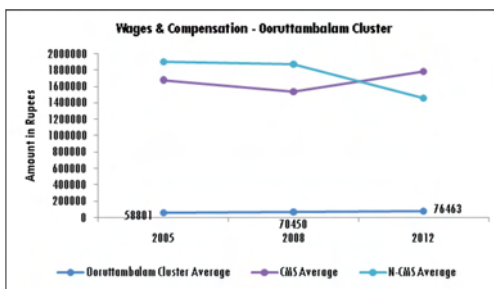
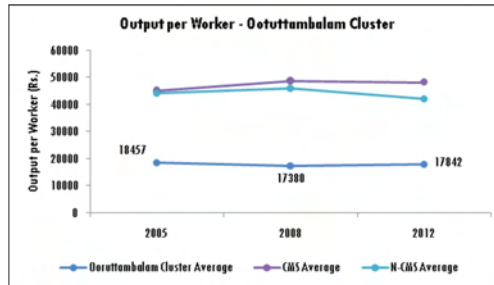
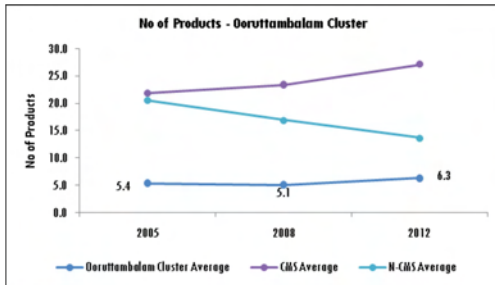
Travancore Handloom Cluster

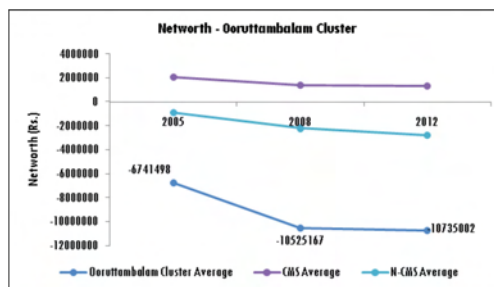
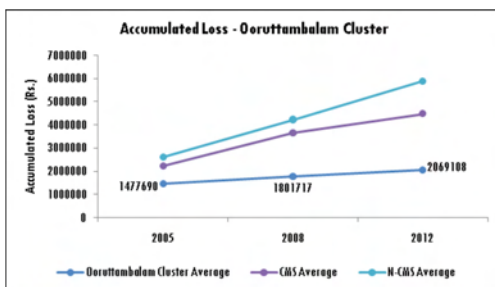
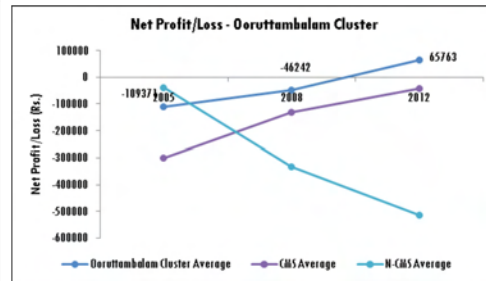
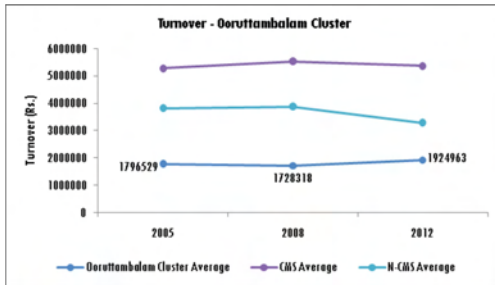




Ooruttambalam Handloom Cluster

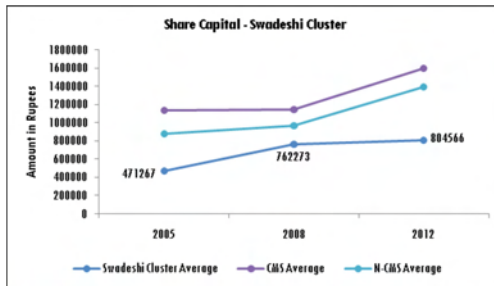
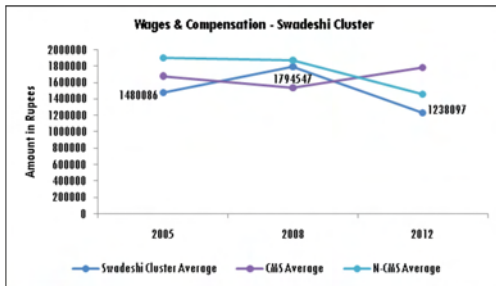
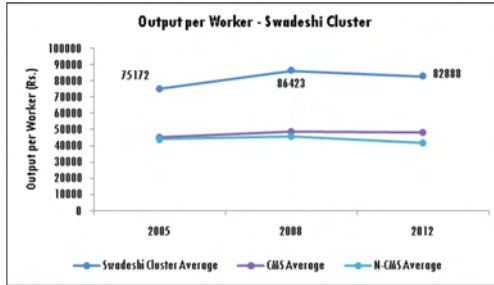
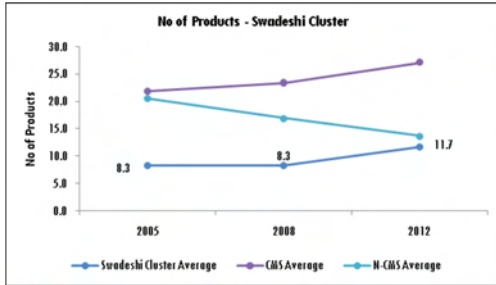
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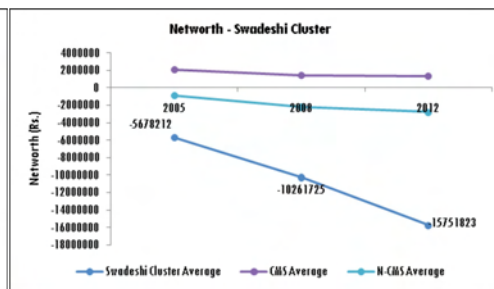
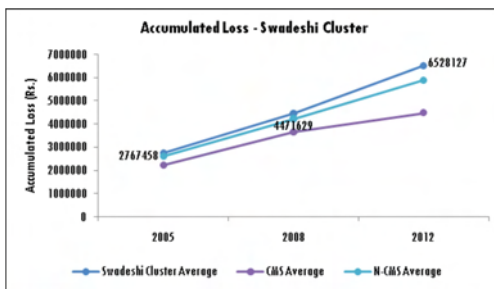
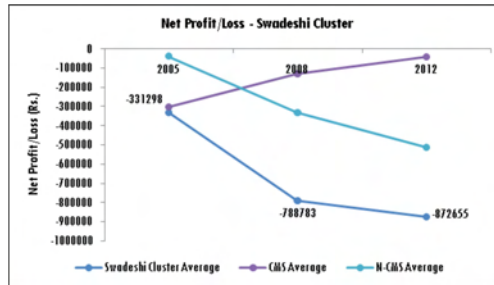
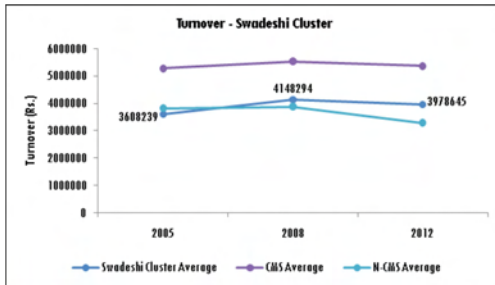




Swadeshi Handloom Cluster

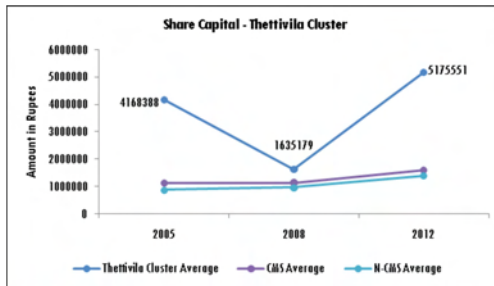
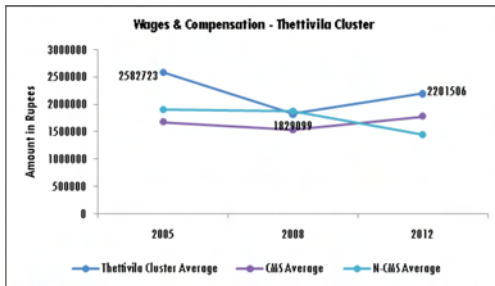
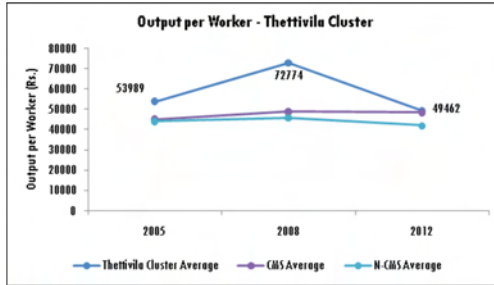
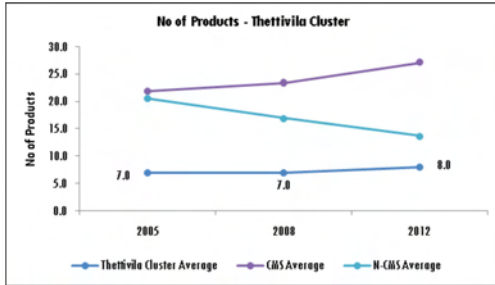
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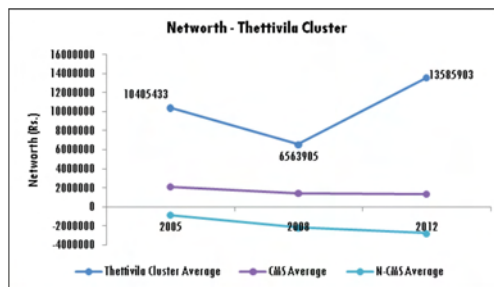
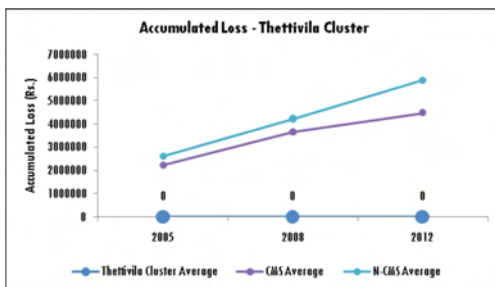
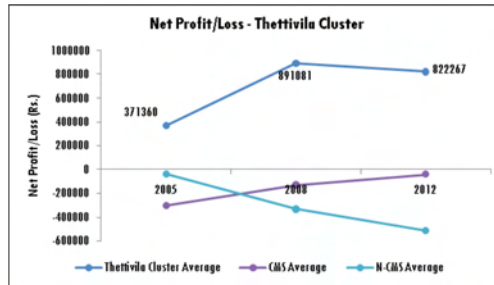
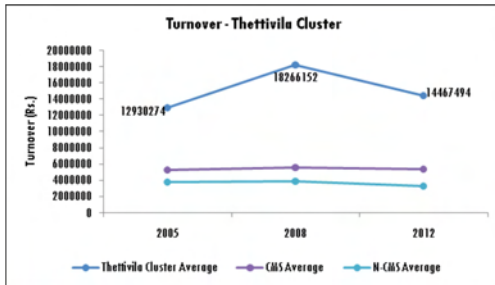




Thettivila Handloom Cluster

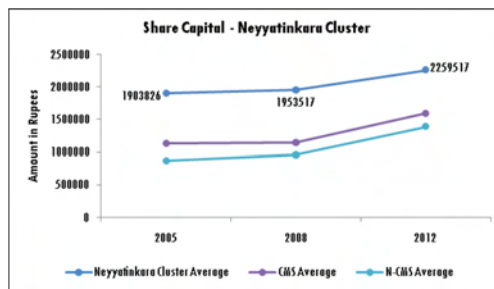
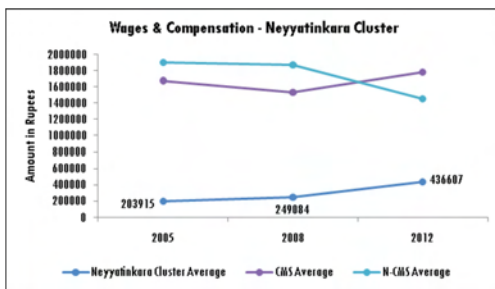
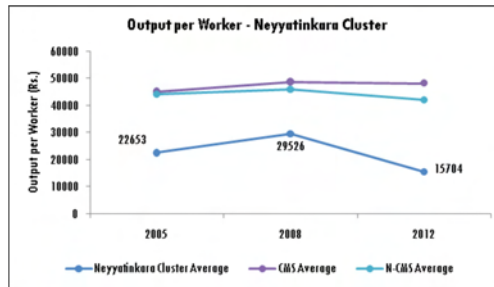
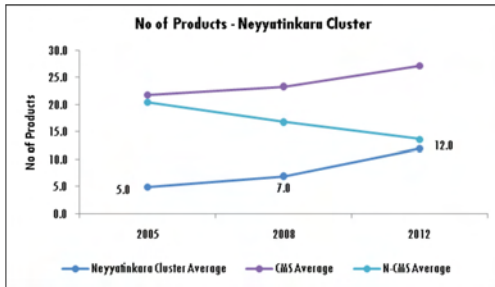
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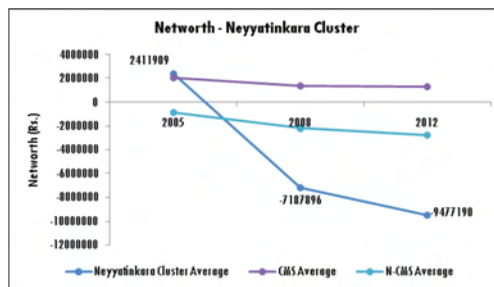
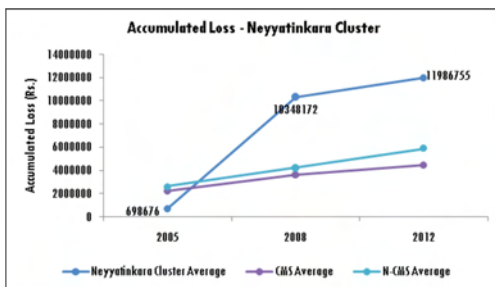
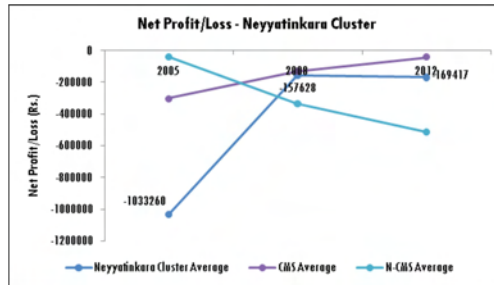
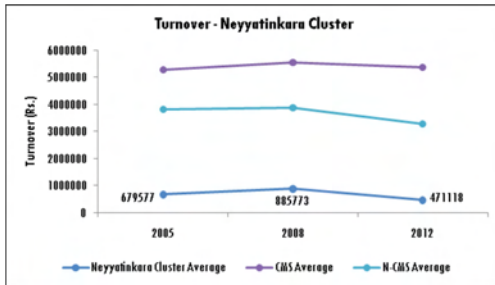




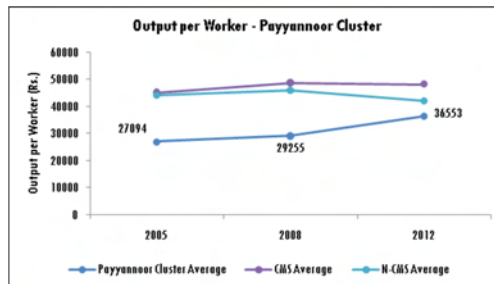
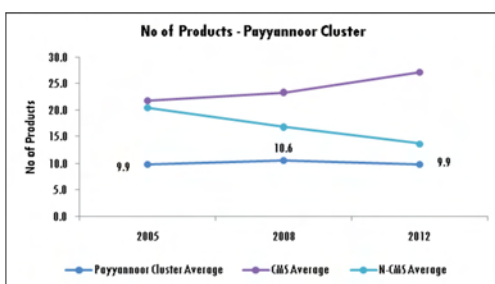
Neyyatinkara Handloom Cluster

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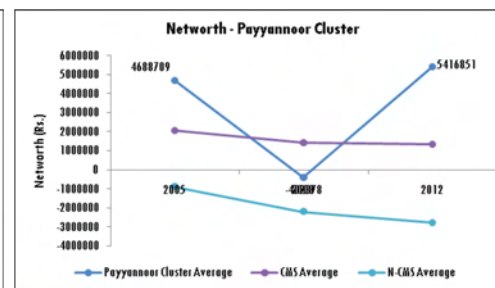
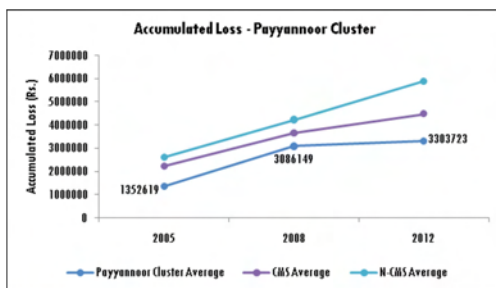
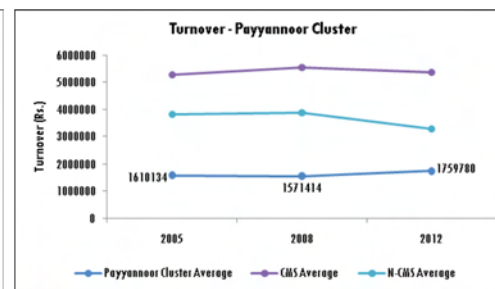
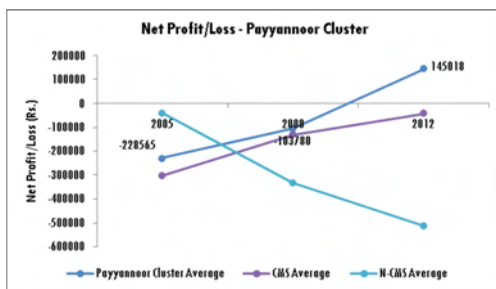
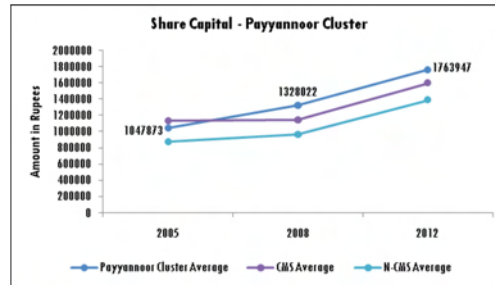
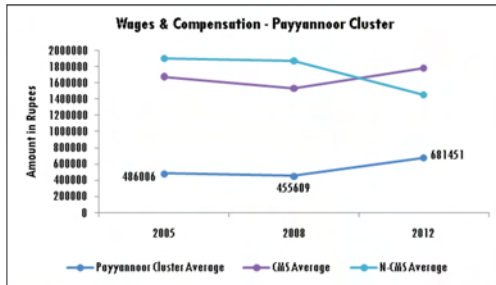




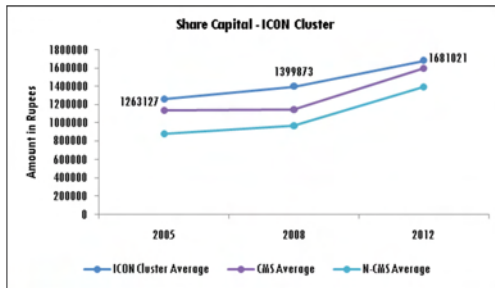
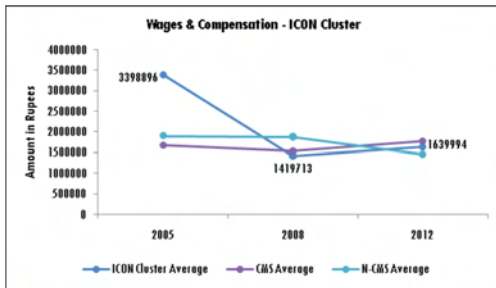
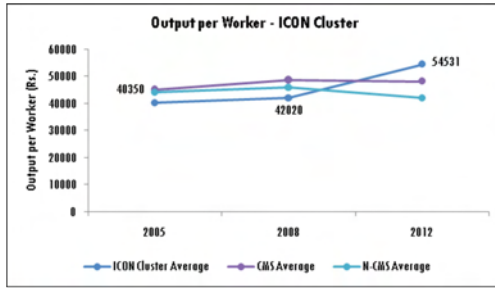
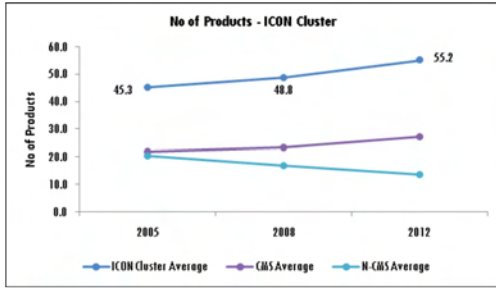
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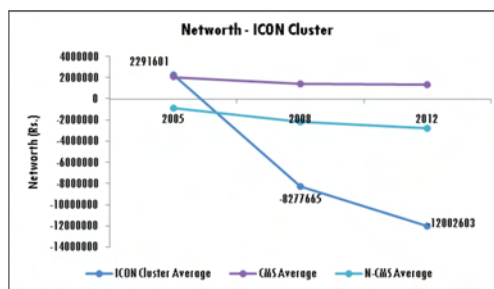
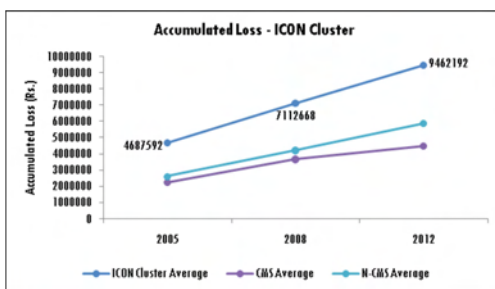
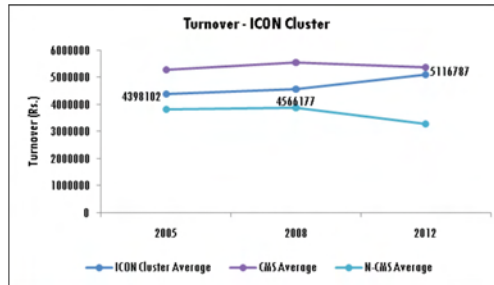
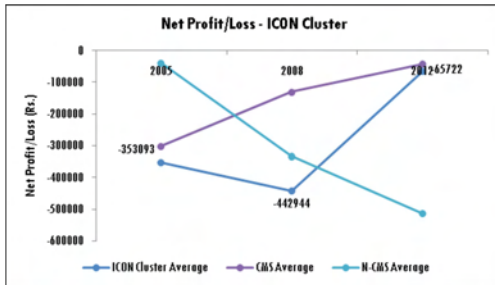
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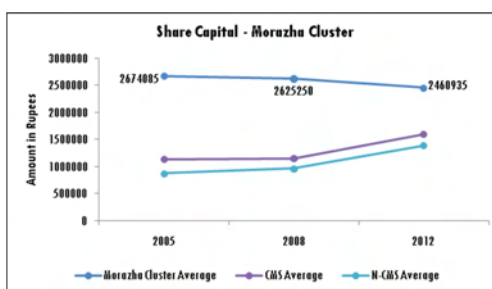
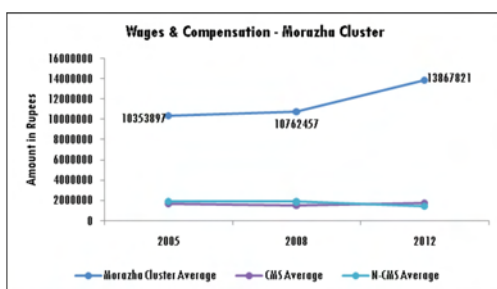
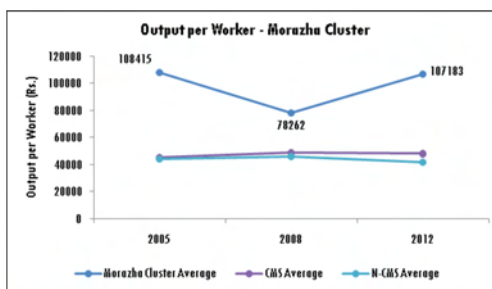
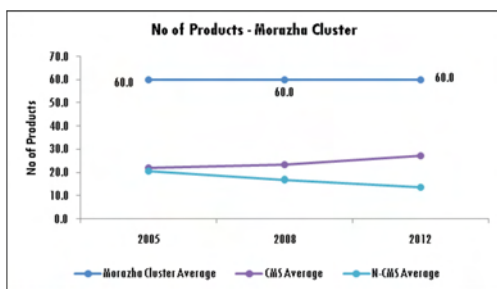
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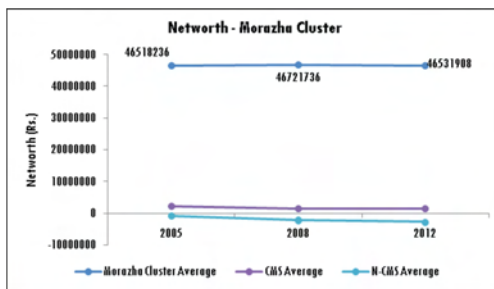
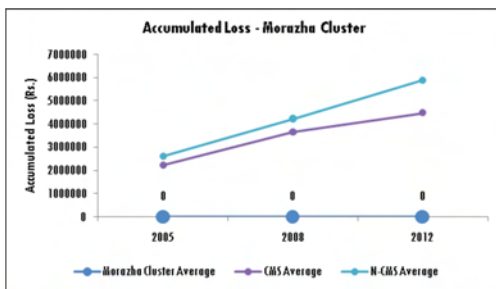
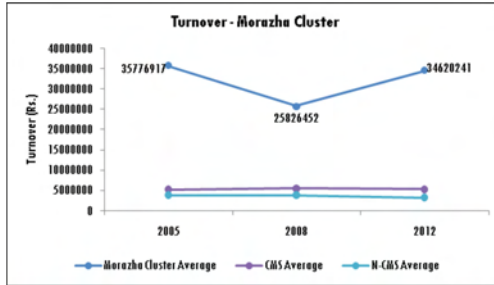
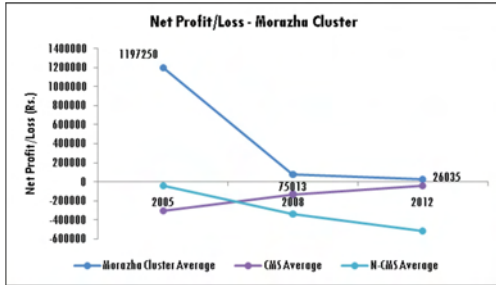
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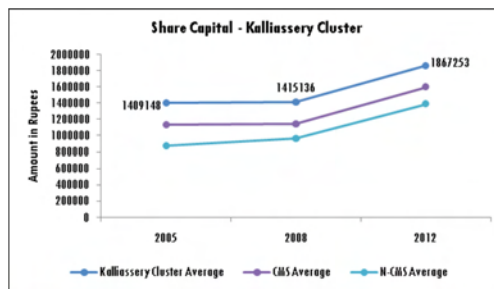
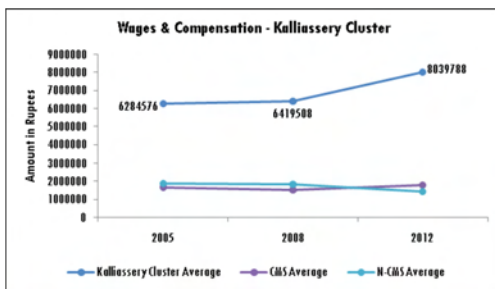
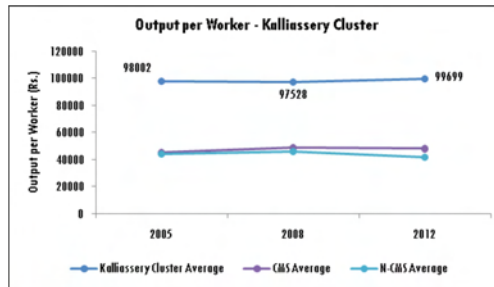
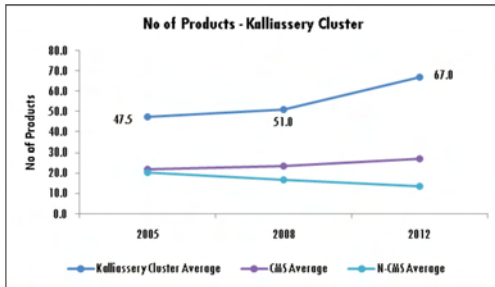
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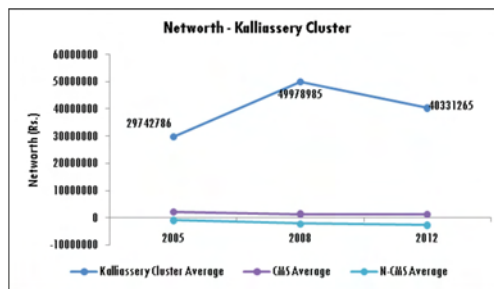
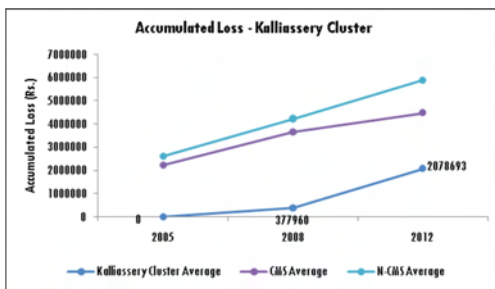
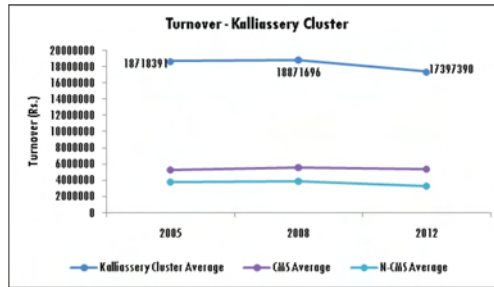
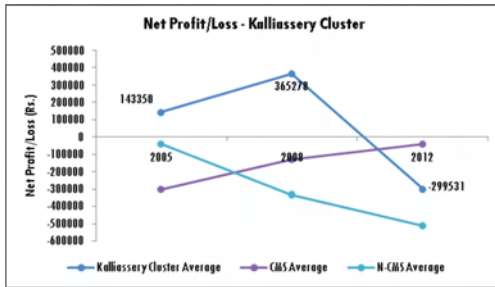
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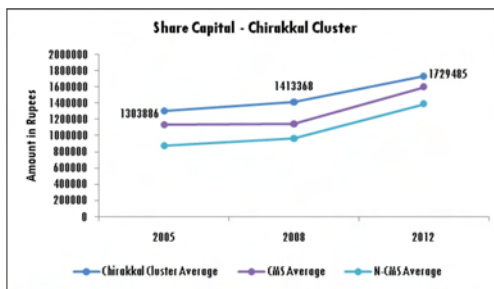
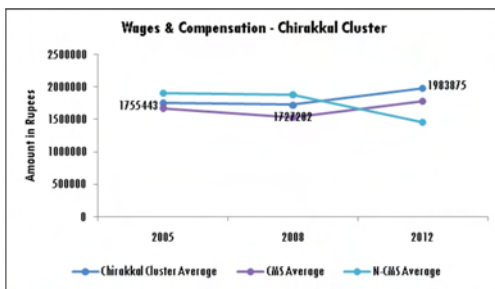
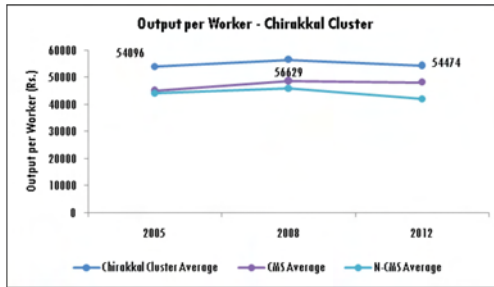
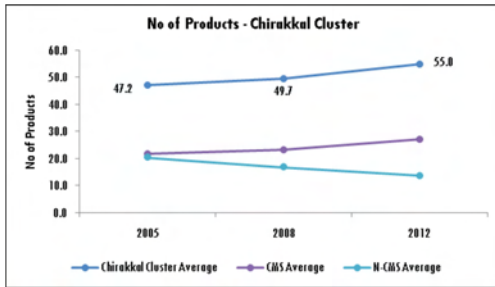
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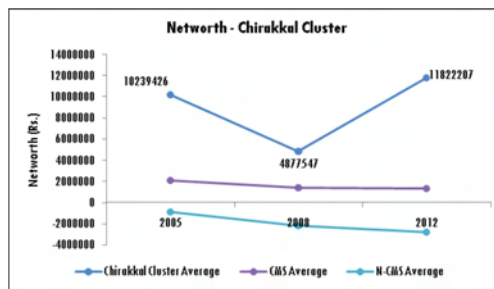
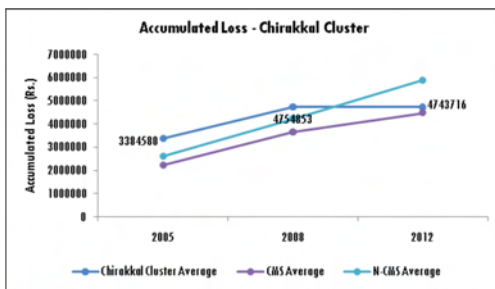
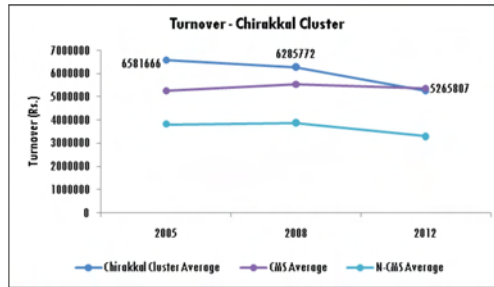
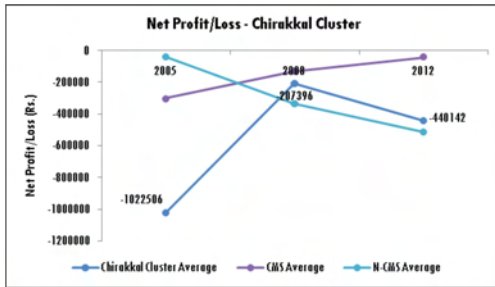
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Chirakal Handloom Cluster



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