



**United Nations**  
**Economic and Social Commission for Asia and the**  
**Pacific**

## Promoting livelihoods for poor communities

### **Linking weaver's cooperatives with global markets: a case study of the Handloom Export Zone in Nagercoil, India.**

Most handloom weavers in Nagercoil (Tamil Nadu, India) produce low-quality materials for the local market, and receive low wages. At the same time, exporters face supply constraints to serve the demand of Indian handloom products from US and European markets. This project introduced some simple technical improvements, trained 250 weavers and established links between the cooperatives and the exporters, increasing earnings for the weavers and ensuring the supply for the exporters. The project was fully funded by the donor, but given the returns for both producers and exporters, a commercial replication could be viable.

This case study was documented by Ms. Santha K. Erinjyial, consultant for ESCAP under the project "Building community resilience to disasters through partnerships".

*The views expressed in this paper are those of the author and do not necessarily reflect the views of the United Nations Secretariat. Mention of firm names and commercial products does not imply the endorsement of the United Nations. This publication has been issued without formal editing.*

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## **SECTION 1: BACKGROUND**

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### **1.1. Introduction**

The project **Handloom Export Zone** at Nagercoil was initiated by Handloom Export Promotion council, the Government of India and the Ministry of Handlooms and Textiles, Government of Tamil Nadu for developing handloom exports and increasing the income of handloom weavers. This project was supported by Asian Development Bank-TEAP programme. The project was sanctioned in March 2007 and the implementation began in June 2007 with **6 weavers' Cooperative Societies and 250 weavers**: 130 weavers from one Primary Society (home based weavers) and 120 weavers from 5 Industrial Cooperative Societies. This was a one year pilot project and was completed in March 2008. The project was implemented in Nagercoil, Kanyakumari district of Tamil Nadu.

#### **The Main Objectives of the project were:**

To improve/restore/rehabilitate the traditional livelihood of the weavers by providing additional assistance towards:

- ⇒ To upgrade clusters of skilled weavers to prepare them for exporting.
- ⇒ To significantly increase the productivity of the weavers from current levels
- ⇒ To diversify manufacture of product range
- ⇒ To up grade the looms to suit the export market as against the present condition restricting production to limited products
- ⇒ To provide direct access to exporters
- ⇒ To reap the benefit of net working with exporters as against their current style of working in isolation and losing out opportunities to expand the scope of having year round employment and increase their earnings
- ⇒ Enable the weavers to lead a better quality life

The major activities undertaken were:

- [1] Loom up gradation
- [2] Skill up gradation; and
- [3] Infrastructure development.

The cost of the project: Rs.4,506,341/<sup>1</sup> (US\$ 112,659)<sup>2</sup>

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<sup>1</sup> The project amount released was 6,000,000/ (US\$ 150000). The cost of the project: Rs.4506341. Left over money was used for the renovation of common facility centers (CFCs) proposed for the second phase

<sup>2</sup> Exchange rate is Rs.40 = US\$ 1

## 1.2 Socioeconomic environment

### Kanyakumari

Kanyakumari is the southern most among the districts of Tamil Nadu. The District has 62 km of coast on the western side (Arabian Sea coast) and 6 km of coast on the eastern side (Gulf of Mannar/Bay of Bengal coast).

Population- 1,676,034

Urban- 272,544

Rural- 1,403,490

Number of families below poverty line (BLP): 39,574<sup>3</sup>

There are 9,416 handloom weaver families in the district.

### Nagercoil

Nagercoil is the administrative headquarters of Kanyakumari district with a population of 208,149. Nagercoil literacy rate higher than the national average of 59.5%; male literacy is 87%, and female literacy is 83%.

Main crops – Paddy, rubber, cardamom

Small scales industries: coir-making, floral trade, handloom-weaving, rubber products, fish-net manufacturing (exported on a large scale), food-processing units, lace-making (export-oriented), etc.

Language – Tamil & Malayalam

Nagercoil was a known handloom centre for traditional items like dhotis, sarees and towels. These products are mainly marketed in Tamil Nadu, Kerala and the neighbouring domestic markets. Traditionally, weaving was done by men and the pre loom activities were looked after by women. In 1970's, there were around one lakh (100,000) weavers in Nagercoil. During the 1970's the power looms overtook the handloom market with their larger production and low priced products, leading to a crisis in the sector. The weavers began to shift to other jobs such as construction or agricultural labour. A large number of them migrated to other places looking for better options.

At present, there are around 6,700 weavers and 1,200 pre-loom workers in and around Nagercoil and more than 80% of them are women. These weavers are organized into Cooperative Societies under the Cooperative Society Act as Primary Society and Industrial Societies. The Primary Societies – members engage in home based weaving- are the oldest

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<sup>3</sup> Source: Annual Employment report of Kanyakumari District in the State of Tamil Nadu for the year 2006-07, Government of Tamil Nadu

ones, beginning in the early 1950s. The Industrial Societies came into existence in the 1980s.

There are many schemes implemented by the government for the welfare of the weavers and to save the handloom industry from a natural death. The important schemes are given below:

1. Handloom Weavers Savings and security schemes
2. Mahatma Gandhi bunker Bima yojana Scheme
3. Shiksha Sahayog Yojna ( for the children of weaver)
4. Old Age Pension Scheme
5. Cooperative Handloom weavers Family pension Scheme
6. Health Insurance scheme
7. Free Power Supply to the Handloom/ Power loom Weavers
8. Work shed scheme
9. Integrated handloom training Project
10. Special Project Under SGSY

State Government schemes:

1. Rebate subsidy scheme (See Section 4)

Despite the number of welfare schemes by the Government, the handloom textile industry is in crisis. The domestic market, on which the handloom industry was mainly thriving on, was falling apart due to the power loom textiles and also changes in the dress patterns. Unfortunately, the weavers do not have many opportunities to up-date their skills according to the market requirements. This resulted in unemployment and under employment.

The wages also were low in the industry. A normal day of a weaver begins at 7.30 AM and end at 6 PM and the wage per day was anything between Rs. 50 to 60 (US\$-1.25 to 1.5) for the dhoti weaving and Rs. 60 to 70 (US\$ 1.5 to 1.75) for the terry towel weaving. It is a strenuous job with low remuneration. The pre loom activities provide even lower wages.

### **1.3 Key partners**

**Weavers' Cooperative Society:** there are 6 weavers' Cooperative Societies- 1 Primary Society and 5 industrial societies- and 250 members were partners of this project. Out of this 86% were women. The Primary Society has larger membership: 832 members. Membership in the Industrial Societies varies from 25 to 150. HEPC along with the Cooperatives identified the beneficiaries of the project, assessed the requirements of skill and loom up gradation and ensured the smooth implementation of the project. The Cooperative Societies are run by the Managers (employee of the Society) and a government officer (Special Officer) from Directorate of handloom and Textile. There is no Board of Directors since there was no election took place in the Cooperatives for many years.

**Handloom Export Promotion Council:** The HEPC is the Nodal Agency under the Ministry of Textiles, Government of India. The department was established in 1965 with the purpose of promoting export of hand woven textiles from India. They have 2000 registered exporters with them from all over India. The HEPC is engaged in organisation & participation in International trade fair, liaison between the trade and the government for policy matters and dissemination of trade related information. In this project, HEPC was the main facilitator and their role extended to: identification of the potential exporters and establishment of linkages between partners, liaison with the weavers cooperative to ensure the smooth implementation of the project, organizing skill up gradation training, loom up gradation, infrastructure development, and liaison with various stakeholders in the project.

**Exporters:** The lead exporters are from Madurai and Tirupur, mostly exporting home textile products. The main markets are Europe and USA (for leading store chains like Walmart, Bennys etc). They have registered with the HEPC. In this project, they took active participation by providing details of export market requirements and they also took part in the skill up gradation training programme. However, they do not procure the products from the Cooperatives directly: they engaged a deemed exporter from Nagercoil, who is also a registered member of HEPC, as the link between themselves and the cooperative Societies. This deemed exporter, Mr. Rangunathan, is originally a master weaver. His role is to provide raw material (yarn) to the cooperatives and collect the finished products to be sent to the exporters in Madurai and Tirupur. The design, colours, quantity and quality of the product is decided by the exporters according to the export market requirements.

**Directorate of Handloom & Textiles-** this department functions under the Ministry of Handlooms and Textiles, Government of Tamil Nadu. Nagercoil has an AD office, headed by Assistant Director for the welfare of the weavers. They implement the welfare schemes for the weavers. The entire Weavers' Cooperatives in the district come under the AD office. There are three officers – Handloom Officer Savings & Security System, Handloom Officer Personnel & Administration and Handloom Officer Liquidation and Law work under the Assistant Director to deal with the Cooperatives and individual weavers. Their main role in this project was coordination of the execution of the work (act as a spot coordination agency).

**Rural Development and Panchayat Raj Department in Tamil Nadu:** Scrutiny and approval of the proposal, issuing instructions to District Industrial Units (DIUs) and District Rural Development Agency (DRDA ) and monitoring of work progress

**District Administration Nagercoil:** To facilitate infrastructure such as power connection, water supply and drainage to the project units, supporting the HEPC and industry representatives in the implementation of the project and logistics support and cooperation

**Asian Development Bank (ADB) - Tsunami Emergency Assistance Project (TEAP) -** ADB had assisted the Governments of Tamil Nadu and Kerala to help restoration of livelihoods of Tsunami-affected people in these states through Tsunami Emergency Assistance Project (TEAP). The total assistance for Livelihood Restoration in Tamil Nadu is US\$49.9 million: this project was fully funded under this facility. ADB established an

Extended Mission in Tamil Nadu (EMTK) to assist the State, NGOs, CBOs, etc. to implement sustainable interventions under the livelihood restoration component. EMTK played a crucial role in resolving general and project specific financial and disbursement problems and speeding up project implementation. Further, it also played a key role aligning various stakeholders to partner with Government to ensure continuity and ownership of the various activities implemented.

#### 1.4 Needs addressed

A baseline survey was conducted by the HEPC among the 250 beneficiaries of this project during the project implementation, showing their economic condition. Some indicators such as daily earnings, the number of days work available, marketing of products and status of skill up gradation trainings are given below:

**Table-1**

Earning per day	No. of weavers	%
Rs.50/-	108	43.2
Rs.60/-	95	38
Rs.70/-	34	13.6
Rs.80 – 90/-	13	5.2

*Source: baseline survey- HEPC*

This table shows the financial background of the weavers- majority (43%) of them earned only Rs. 50 per day and that too were irregular. During the rainy seasons, they were unable to undertake weaving. Another 38% have got Rs. 60 per day. While 14 percent earned Rs. 70 per day, 5.2% earned Rs. 80 to 90. The income of a weaver depends on how many hours she puts in the loom as well as the energy level of the weaver. Normal working hours are 7.30 AM to 6 PM. We do not have disaggregated data to categorize the type of weavers – [1] Dalit weavers, [2] weavers who own looms and: [3] weavers who work in the industrial loom--in terms of their earnings. However, interviews with beneficiaries show that the home based (primary society) weavers earned more than industrial weavers which may be due to longer hours of work they put up and also the help rendered by other family members.

**Table- 2**

Working days/year	Respondents	%
31-60	6	2.4
61-90	52	20.8
91-120	89	35.6
121-150	81	32.4

*Source: baseline survey- HEPC*

The table shows that about 2.4% of weavers are employed only for 31 to 60 days a year, 20.8% of weavers are unemployed for 61 to 90 days. While 35.6% of weavers get 121 to 150days of employment a year, only 8.8% weavers get regular employment. During the

lean period they work as agricultural laborers, construction workers or other odd jobs. Most weavers are women.

Majority of the weaving products (80%) is for domestic markets and only about 20% was exported before the implementation of the project. The weavers lack training in market oriented products. The survey found that 96% of weavers did not get any formal training.

*In brief:* No regular employment -- Low wages -- Old type looms-- No trainings-- Lack of motivation – shifting to other jobs -- migration

## **SECTION 2: PRACTICE DEVELOPMENT AND OPERATIONS**

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### **2.1 Initiation, Planning and Design**

This project was initiated by HEPC in order to bridge the gap between the weavers and the exporters. The project started as a result of a proposal from the exporters, who demanded specific products (terry products-handloom) in large scale for the export markets in European and US. Centralized and timely procurement and quality control were major problems faced by the exporters. At the same time, due to unemployment, under employment and low wages, the weavers were shifting to other jobs and migrating. In this context, HEPC took the initiative to link both of them. Rather than another welfare scheme for the weavers, this was an export oriented programme to increase the income of the weavers.

HEPC arranged a joint meeting of Directorate of Handlooms and few leading exporters (M/s. Selevarajtex, Madurai, M/s. JVS Export, Madurai, M/s Trident Exports, Chennai and M/s Ambal Trading company, Tirupur ) to discuss the requirements of the exporters and identify the weaving clusters which can fulfil them. Five clusters were identified on the basis of the status of the looms, varieties produced and willingness of weavers to produce export varieties. Nagercoil was selected as the area for pilot project, among other reasons because TEAP assistance was restricted only to tsunami affected areas/districts and Nagercoil was one of the affected areas. This was followed by a visit of exporters and representatives of the concerned departments to Nagercoil and their interaction with the weavers to work out a strategy for the effective implementation of the project.

Even though there were various welfare schemes for the weavers, none of the schemes was dealing with technological up gradation. The new intervention was market oriented because it originated from the exporters, based on the export market requirements. Identification of the gaps was one of the initial steps: what are the market needs, what is and what is not available with the weaver, how the situation can be improved to lead to the required production, etc. Nagercoil presented two advantages: many of the weavers have previous experience in weaving terry products and, whether the weavers work under industrial society or primary society, they live in clusters where production and procurement are easy to organize.

A baseline survey was conducted among the beneficiaries (see 1.4) and their willingness to work with export market requirements in the up-graded looms was discussed.

Two committees were formed- Project implementation committee and Technical Committee. In the project Implementation Committee, two lead exporters, the Executive Director and HEPC were members. This was formed to monitor the project implementation and review the process periodically. In the technical Committee, Assistant Director, weavers Service Centre (WSC), Chennai, Assistant Director, HEPC, a Junior Technical Assistant, Directorate of handlooms & Textiles a master weaver (who is also the deemed exporter) and representatives of Cooperative Societies (Managers) were its members. This Committee looked into the technical aspects - assessing the technical requirements and overseeing the implementation of the project. The committees were there till the end of the project.

Between October 2007 and January 2008 (depending on the cooperative), the loom up gradation and skill up gradation was completed and new production began. In the Vadaserry Primary Society and in Kamaraj Industrial Society production began in October 2007, in Sayamkulam and Eraniel production started in December 2007 and in Tazhakudi and Putheri in January 2008.

### **Major Activities:**

**Loom up gradation:** One of the major technical innovations introduced in the looms was *Chain mechanism* to maintain shedding system uniform irrespective of the weather. This made it possible to work during the monsoon. Another change was made in the bearing mechanisms for smooth feeding of warp and facilitates -smooth treadling operation thereby reducing strain on weaver. Other changes are the Aluminum sheeting to avoid staining on threads/ fabric, new heads and reeds provided to improve quality of the products by reducing the risk of thread breaking, supply of new warp beams and additional warp beams to keep the spare warp ready and reducing loom downtime which helped to increase the production. (See Annex 1 for details of the technical improvements).

**Procurement of pre loom machineries:** new machines were provided such as Dubba Winding M/c to speed up warp preparation, Warp beaming machine to speed up warping activities, Pirn winding machine to provide weft for weaving activities, Electronic Weighing m/c for quality control and Quality control table for quality check up.

**Skill training-** Initially two months of training for weavers were planned, later reduced to a month. The weavers were compensated with stipend for the training days.

**Infrastructure development-** The work sheds were old and in dilapidated condition. Even though the majority of the weavers were women, there were no toilet facilities available in the Industrial Societies. The project renovated the existing work sheds with basic amenities like toilets and in some cases false ceiling was fixed to reduce the heat. This improved the work environment considerably.

**Timeline**

- ⇒ Assessment of market requirement and proposal from the exporters –September’05
- ⇒ Project proposal prepared –September’06
- ⇒ Finding funding agency - September’06 to March’07
- ⇒ 1<sup>st</sup> Stake holders Meeting : 23-02-07
- ⇒ Project sanctioned – 18 4.2007
- ⇒ Cluster Level Meeting – 02-05-07
- ⇒ Amount released – May 2007
- ⇒ Commencement of implementation- June 2007
- ⇒ Preparatory meetings- Exporters , weavers and joint meetings- August 2007
- ⇒ Identification of weaver beneficiaries –March’07
- ⇒ Baseline survey – June’07- July’07
- ⇒ Loom up gradation-August -November 2007
- ⇒ Skill training August- November 07
- ⇒ Procurement of pre loom and quality control machineries- October- December 2007
- ⇒ Infrastructure development- January – March 08
- ⇒ Production increased October 07 to March 08
- ⇒ Completion of the project March 2008

**2.2 Practice in operation**

In Nagercoil, the weavers are organized under cooperatives. There are two types of Cooperative Societies among the weavers- the Primary Societies and the Industrial Societies. The Primary Cooperative Societies are home based weavers and the qualification to be a member of this society is that [1] the person should be a weaver [2] should own a loom. In an Industrial Cooperative Society, the weavers work in a common work shed together and the looms and the buildings come under the ownership of the Cooperative Society.

From the exporters’ point of view, Industrial Societies are preferable because coordination and monitoring of activities are easier. Because of the new machineries provided by the project, the pre loom activities are faster now and everything takes place under the same roof. Quality control and weighing is also done there. In the primary Society, the finished products are delivered only once in a week, hence regular monitoring is not possible.

### **Box. Structure of the Cooperative Societies.**

Cooperatives are democratic bodies, in the sense that the members are the share holders and they elect a Board of Directors at regular intervals as their representatives, which takes decisions on behalf of the Cooperative Society. A General Body of all members is supposed to be convened once or twice a year. However, there have been no elections in the cooperative societies in Tamil Nadu for many years due to political reasons. In the absence of the elected Board of Directors, Special Officers from Directorate of Handlooms & Textiles take charge of the Cooperative Societies under a Special officer (who is normally assigned 3 to 4 Societies). Every Society has a manager who is the employee of the Society. Managers are not normally from the weaving community. Then comes clerical staff and loom supervisor. All these staff are paid by the Cooperative Societies. At present, managers have a big role to play by ensuring the quantity and quality of the products and timely delivery.

### **Description of workflow:**

**Exporters** (mainly from Madurai and Tirupur) place their orders with the deemed exporter in Nagercoil, indicating the description, design, colour, weight, count, dimension and quantity, price and delivery date. They basically do an out-rate purchase from the deemed exporter. The purchase order is given according to the market demand for a particular product. *(A copy of purchase order from the exporter is given in the annexure 2 for reference)*

**The deemed exporter** assesses the capacity of each society and issues purchase orders accordingly. In his purchase order he will give the descriptions and delivery date of the products which is indicated by exporters. In case of Industrial Cooperative Societies, the raw material is provided by the deemed exporter and in the Primary Cooperative Societies, the raw material is purchased by the Society it self. Payments to the Societies are made once in a week. The deemed exporter gets his payment from the exporter after the products were sent and submitted the bill. This process takes 45 to 60 days. *(A copy of purchase order from the deemed exporter is given in the annexure 2 for reference)*

The Purchase order from the deemed exporter is signed by the Special officer and the Manager of the concerned Society and this is send to the Assistant Director of Handlooms and Textiles for sanction. The Assistant Director sanctions the purchase order and the Cooperative Society begins production. The sample product is given immediately after the sanction by the AD. Normal delivery period is within one month of the contract being signed; however, extension to 45 or 60 days is always available.

In the present context, the weavers have no say in the management of the production process. The weavers are paid once in a week and the wage will vary according to the piece length which depends upon the hours put in work and speed of the individual weaver. The wage is fixed by the government in terms of measurement of pieces- in this case a dozen fetch Rs. 13.20.

At present the quality check and measurement of product is done at the society office, since these two equipments are provided by the project. The deemed exporter procure the end products from the cooperative societies and the same will be sent to the exporters in Chennai and Madurai. Final product is prepared by the exporters and this will be exported to US and Europe.

Quality of the products and delivery time are two major issues involved in exporting. It has a chain of impacts. Exporters face stiff competition in the international markets. They have to reach their products in the market in the scheduled time, otherwise they lose the market. They largely depend up on the deemed exporter for timely delivery and ensuring the quality of the products. So the deemed exporter monitors both and delivers the products to the exporters. As far as weavers cooperatives are concerned, they have to ensure quality products in time: other they lose business and ultimately it will affect the individual weaver.

Strictly speaking, the role of the individual members, especially in the Industrial Cooperative Societies, is that of any worker. They do not feel any ownership of the place and also lack the feeling of being share holders. There is some ownership visible at the home based weavers, who also earn more.

### **2.3 Challenges and Responses**

The project encountered challenges in key areas during the implementation, as it was expected since this is a pioneer effort. There was delay in engaging beneficiaries; technical problems while upgrading the looms, delay in the renovation of infrastructure and in the maintenance of books of accounts. The project also had to face changes in global market conditions. Some of the challenges are given below in detail.

**Human resources:** There was a delay in engaging the weavers from the 6 Cooperative Societies. The HEPC and District Industrial Units (DIUs) took the responsibility to fasten the process.

**Loom up gradation:** One of the major up gradations was the chain mechanism- ropes (threads) were replaced by chains to maintain shedding system uniform irrespective of the weather. However during this renovation the newly replaced chains were getting cut or entangled at one level. Even though various technical persons and institutions were approached to solve this problem, no solution was found. Production went down due to this. Finally the solution came from weavers in Chennimalai Erode district, Tamil Nadu and the problem rectified.

**Infrastructure development:** During the infrastructure development, DRDA (District Rural Development Agency) and PWD (Public Work Department) were approached to take up the job; however no positive results were yielded. Finally the responsibility was given to the concerned Cooperatives and a technical committee was formed with Special Officer, Department engineer and Assistant Director, department of Textiles & handlooms and handloom inspector as members. Getting tender and finalizing it etc took more than a month. So the renovation took longer time than it was expected. In some places, it was completed only in March 2008.

**Skill up gradation:** During the skill up gradation, initially, there were speculations on the part of weavers. The initial technical problems added to these reservations. They overcome this after the first rains when they could weave without any problem. So they got convinced and understood the benefit of the up graded looms.

**Market challenges:** Another problem was the recession in the global market and dollar depreciation. In the wake of dollar depreciation, it became necessary to reduce the cost of the handloom products exported (for the exporters to stay in the market actively and get regular orders). Hence the Commissioner, Handlooms & Textiles, issued an order dated 22/4/08 to the Assistant Director, Handlooms & Textiles to reduce the profit margin from 21% to 15% and this will remain for six months (from 1/4/08 to 30/9/08). This measure was necessary to ensure regular employment for the weavers so that the weavers would not get affected and thus the societies continue to raise profit by doing regular business.

## **2.4 Focus on the Poor**

Economic status of the weaver was not a major criterion for selecting the weavers for this project. However, there was an understanding that Dalit weavers (the poorest) should be included in the project. Broadly speaking, there were three types of weavers involved in the project: traditional weavers- among them primary society members who own the individual looms; weavers working at Industrial Societies and trained weavers from Dalit community. Weavers in general are poor but not all of them come under BPL (Below Poverty Line).

Out of 250 weavers assisted by the project 130 (52%) own their looms. Because to own a loom one has to invest minimum of Rs.20000 (US\$ 500), this category is normally better off than the Industrial Society weavers. A large number of weavers (100 out of 120 Industrial Society members) are dalits who are socially and economically very backward and are below poverty line. It was a conscious decision to include weavers from the Dalit community in the project. Interestingly, Dalits were not traditionally weavers. But in the 80s THADCO (Tamil Nadu Adidraavidar Housing and Development Corporation) and Social Welfare Department together trained some Dalits in weaving to enable them to take up alternative employment. Dalits were traditionally agricultural laborers and they did not have any regular income since agricultural work was seasonal. According to the Dalit weavers, the training helped them in three ways [1] now they have a regular job [2] they do

not have to work under sun for longer hours [3] they do not have to search for job. Implementation of this project, definitely, helped them to increase their income.

## 2.5 Finance

This project is 100% supported by ADB-TEAP and total cost of project is Rs. 4506341/. A detailed cost estimate for each activity/component is attached below

**Table-3: Implementation cost activity component wise**

Statement of Expenditure- HEZ	
Loom Up gradation	174370 (US\$ 4359.25)
Raw material	500000 (US\$ 12500)
Quality control equipments	165851 (US\$ 4146.275)
Infrastructure development	940000 (US\$ 23500)
Training cost	564750 (US\$ 14118.75)
Pre loom machines	317725 (US\$ 7943.125)
Admin cost	260000 (US\$ 6500)
Workshops and seminars	860925 (US\$ 21523.125)
Awareness programme	2100 (US\$ 52.5)
<b>Total Cost</b>	<b>3785721 (US\$ 94643.25)</b>

Total implementation cost activity/component wise and Cooperative Society wise is given below

**Table-4: Handloom Export Zone – Nagercoil  
Societwise Expenditure**

Name of the Society (weavers participating in the project)	Dubba Thar Machine	Warp beam machine	Pirn Winding Machine	Loom up gradation	Raw material	Weighing machine	Tube light settings	Appraiser Table	Training stipend	Infra: Dev	TOTAL
1.Vadaserry periyarasingam ( 130 )	25760	22717	17347	886275	260000	14383	1720	6250	293670	Primary society	1528122
2. Eraneil (30)	26080	23050	17680	204524	60000	14383	1720	6250	67770	260000	681457
3. Thazhakudi Mudanganvilai (15)	--	23050	--	102262	30000	14383	1720	6250	33885	100000	311550
4. Putheri (15)		23050		102262	30000	14383	1720	6250	33885	190000	401550
5. Kamaraj (20)	26080	23050	17680	136349	40000	14383	1720	6250	45180	215000	525692
6. Sadayaakulam Authiyadi (40)	26080	46100 (2)	--	272699	80000	28766 (2)	3440 (2)	12500 (2)	90360	175000	734945
Total	104000	161017	52707	1704371	500000	100681	12040	43750	564750	940000	4183316
Add : HEPC Administrative charges											260000
Add : Workshop/ seminar as part of training											60925
Add :Misc. Expenses											2100
Grand Total											45,06,341/-

After the implementation of the project the weaver's wage increased by 15 to 20 %. However, all the Industrial Societies, except the Dalit ones, have accumulated interest for years for the loan amount they borrowed from the Government for the construction of the Society building and establishment of looms. The handloom industry was running at lose and these Societies could never repay their loans fully. Because the new profits go to the repayment of the loans, weavers cannot expect to receive a bonus in the next few years. For the Dalit Industrial Societies, the building and the machineries were provided by THADCO at free of cost. The Primary Society members get their bonus since the Primary Society is making profit now.

Since the implementation of the project the income of the deemed exporter is also increased. The total turn over was increased from 6 to 6.5 lakh (US\$ 15000 to 16250) to 8.5 lakh (US\$ 21250) per month since the implementation of the project. Income varies depending on the order.

## **2.6 Legal structure**

As far as the legal structure is concerned, there is no direct connection or standing agreements between the cooperatives and the exporters. The exporters do their business through the deemed exporter who is situated in Nagercoil. The exporters place their purchase orders to the deemed exporter. The deemed exporter in turn place individual purchase orders to the respective cooperative Societies. The purchase order prescribes the quantity, quality, colours, price and date of delivery. Delivery is normally required within a month of signing the purchase order. The exporter's purchase order to the deemed exporter clearly says that 'if the goods are to be delivered after the delivery date, the order needs to be reconfirmed us'. Similar clause is there in the deemed exporter's purchase order to the Cooperative Societies: "delivery date must be maintained unless amended by us, delayed delivery will be rejected". However, there is a flexibility of 45 days to 60 days in the scheduled delivery date. Samples of Purchase orders are attached in annexure 2.

On the basis of Purchase orders from the deemed exporter, each society will prepare a resolution to the Assistant Director, Handlooms & Textiles containing such details as the identity of the exporter, the quantum of the order with specifications and the time frame for delivery as well as the number of looms to be dedicated for this purpose and also the terms and conditions including the supply of yarn and wages.

On behalf of the Society the purchase order from the exporter is signed by Special officer and the Manger of the concerned Society along with the deemed exporter (who provide the raw material as well as procure the finished products) after it is sanctioned by the Assistant Director.

Normal period of delivery of product is within a month and sample products to be given immediately after the purchase order is been signed. Only after the sample is approved, the bulk production will begin. The Quantity Assurance Inspector of deemed exporter will

monitor the production process. It is by and large is the responsibility of the weavers and the deemed exporter to ensure the quality and quantity of the products prescribed by the exporters. Responsibility fixed on the deemed exporter is higher since he is the one provide yarn also monitor the process. The Exporters purchase order clearly says that “material purchased will be subjected to physical verification/inspection and testing and the substandard materials which do not meet the requirements will be returned.

#### **Relationship with the Cooperative Societies:**

“No legal relations, as and when orders placed they have to execute and supply ordered items within stipulated time. However, a contract is entered between us (exporters) and deemed exporter at production center”. It is difficult to procure products directly from the Weavers Societies because a lot of coordination and follow ups required in the field with various co-operative societies. Hence, the exporters need to have a local representative like the deemed weaver in this case

*Lead Exporter*

## **2.7 Community involvement**

Community participation, other than the beneficiaries, in the project, was restricted to the planning stage in which the older weavers were consulted to discuss about the loom up gradation and gathered ideas from them. A master weaver who is also the deemed exporter contributed considerably to the process. The first up graded loom was fixed in his place to test the efficiency and problems of the up gradation. He also played a major role in the selection of Trainers. The baseline survey was conducted only among the beneficiaries, hence other members of weaver community were not involved.

## **SECTION 3: OUTCOMES**

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### **3.1 Effectiveness**

Only 4 to 7 months after implementation the comparative production results show a considerable increase in quantity and value. See table below.

**Table-5: Comparative Production Details Regarding HEPC Implementation**

Name of the Cooperative	Before Implementation			After Implementation		
	Month/year	Metre	Value-Rs	Month/year	Metre	Value-Rs
<b>Vadasery Periyasingan</b>	July 07	6750	242400	October 07	16163	632921
	August 07	6300	509040	November 07	25328	991777
	September 07	6408	517766	December 07	14453	565960
<b>Eraniel</b>	September 07	6281	166050	December 07	7290	205450
	October 07	6150	164450	January 08	7340	206660
	November 07	6953	204688	March 08	6940	192905
<b>Thazhakudi mudanganvilai</b>	October 07	3978	114960	January 08	4209	108373
	November 07	3912	105893	February 08	31815	106136
	December 07	2686	99844	March 08	3937	129050
<b>Kamaraji indl.</b>	October 07	3768	96221	January 08	3255	84726
	November 07	3682	93760	February 08	5299	132913
	December 07	3778	94138	March 08	5300	132728
<b>Sadayankulam-authiyadi dr.ambedkar</b>	September 07	8000	250000	December 07	6944	2.44000
	October 07	5192	184000	January 08	8498	2.91000
	November 07	6675	232000	February 08	10000	3.75000

The weavers whom the visiting team met said that their income increased from 15 to 20% and they are happy with the present results. So far the changes in the international market and the dollar depreciation did not affect the wages of the weavers. Infrastructure development, especially the toilet facilities, definitely improved their working condition. Below is given a comparative picture of project objectives and expected outcome of the

project to the impact of the project. The comparison is made on the basis of field interview with beneficiaries and officials and the deemed exporter and referring the documents available at the Directorate of Handloom & Textiles.

Objectives	Achievements
⇒ Up gradation of clusters of skilled weavers to facilitate the export industry to outsource production of various loom products for export	Skills of the weavers up graded according to the need of the export market. Whenever design and specification of the product changes, on job training take place
⇒ To significantly increase the productivity of the weavers from current levels	There is increase in the productivity of the weavers from the previous level. Production length increased from 25 lengths to 35 lengths, productivity in terms of linear metre increased from 16.87 mts to 23.62 mtrs, Productivity in terms of total number of towels produced from 75 numbers to 105 numbers, average wages of the weaver per day increased from Rs.70 to Rs. 98
⇒ To diversify manufacture of product range	At present no major diversification other than terry products
⇒ To up grade the looms to suit the export market as against the present condition restricting production to limited products	Looms were up graded according to the needs also weaver friendly- less strenuous
⇒ To provide direct access to exporters and prevent middlemen exploiting the weavers	No direct procurement by lead exporters who were part of the implementation of the project. A deemed exporter in Nagercoil is responsible for the procurement of the products as well as providing yarns to the Cooperative Societies. The lead exporters have contract with the deemed exporter separately for procurement of products with specifications
⇒ To reap the benefit of net working with exporters as against their current style of working in isolation and losing out opportunities to expand the scope of having year round employment and increase their earnings	Not much networking with the exporters. At present the weavers have round the year employment.
⇒ Enable the weavers to lead a better quality life	There is definitely an increase in income by 15 to 20% and the infrastructure development also impacted positively on the weaver. Up gradation of looms made the weaving less strenuous.

Most significant changes, after the implementation of the project, from the view point of beneficiaries are:

1. Improved working environment after the renovation of the work shed. Women especially value the toilet facilities.
2. Income increased
3. Weaving become less strenuous after the up gradation of looms

According to the exporters most significant changes are

1. Increase in productivity and production,
2. Quality improvement
3. Commitment to the buyers for increasing the volume of supply

## **SECTION 4: SUSTAINABILITY**

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### **4.1 Degree of sustainability.**

This project has indeed improved the financial sustainability of the cooperatives.

External factors like changes in the global market, depreciation of foreign currencies and the increase in the price of raw material like yarn can adversely affect the sustainability. Within a short period of the project a crisis took place and the Commissioner of Handlooms & Textiles did the trouble shooting by reducing the profit margin from 21 % to 15 % (See 2.3). This kind of solution may not be very sustainable on regular basis.

Another issue is that the lead exporters, though they were very much part of the project planning and implementation, do not carry out direct procurement from the weavers cooperatives. In other words, they are not directly linked to the weavers. Their contract is with another deemed exporter. Direct contracts with exporters and Cooperatives will be beneficial for the weavers and their Cooperatives because it will provide stronger linkages with the export markets.

All handloom products in Tamil Nadu benefit from a State subsidy equivalent to 20% of their value<sup>4</sup>. A reversal of this policy would obviously affect the sustainability of the cooperatives.

At present the weavers are doing well, but in the Industrial Society weavers are unable to enjoy the benefit of the profit completely since there is accumulated interest on the loan taken for the construction and establishment of looms at the inception of society years back. In normal case the income generated from the operation of improved production units could be used to establish a corpus fund and this fund can be used for the

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<sup>4</sup> This rebate has been fixed on the basis of the recommendations of a High Level Committee study about the various problems being confronted by the Handloom weavers and announced by then chief minister on 30/4/1998. See <http://www.tn.gov.in/gorders/hhtk/hhtk92-e.htm>

purchase/maintenance of machineries, equipment and further infrastructure development. But the accumulated interest is the hurdle.

Ownership is another factor which can affect the sustainability. Weavers in general did not show any feeling of ownership of the Society; rather they were ignorant about the fact that they are the integral part of the Cooperative society. This is, perhaps, due to the absence of an elected Board of Directors is at place. These are some of the concerns which may affect the sustainability of the project.

#### **4.2 Achieving greater sustainability**

Some suggestions for increasing sustainability:

- ⇒ Waiving of previous loans and its accumulated interests
- ⇒ Trainings for the managers in efficient management- time management and financial management
- ⇒ Direct procurement by the lead exporters
- ⇒ Increased ownership of the weavers in the Cooperatives and less intervention by the government in the affairs of cooperatives. Encourage autonomy, responsibility and accountability thus ensures sustainability.
- ⇒ Working condition can be improved by making it dust free. In some places looms are too close and dusty with the cotton particles which were very suffocating. Importance to be given for the occupational health of the workers: cleaning up the place regularly and also growing interior plants may help to reduce the problem.
- ⇒ Some societies can come together and organize a day care centre (crèche) for small children.

According to the exporters these changes could be made (if necessary) to improve the sustainability of the weaver's cooperatives—

- ⇒ In terms of size of operation, if it is increased the profit level will also be increased. Accordingly they (the weavers) could even aim at lowering the production cost and make the product price competitive
- ⇒ In terms of technology, since it is a handloom production no further up gradation is required except few technological interventions like the one currently undertaken in the project to increase the productivity and quality of the product
- ⇒ Products need some more refinement on trial and error basis to meet our quality requirements

- ⇒ Institutional arrangements at co-operative level need to be more pro active and must respond quickly to market trend in terms of production , design, cost etc.,

### 4.3 Extension (next phase of the project)

2<sup>nd</sup> Phase – Project Activities; Similar kind of activities -- Supply of upgraded Looms, Skill Up gradation, Infrastructure Development, Up gradation of working environment, Construction of new Common Facility Centers (CFCs), renovation of existing work shed, Pre Loom M/c, Quality Control Measures -- are planned for next phase also. While 250 families are covered in the 1<sup>st</sup> phase, the 2<sup>nd</sup> phase will cover 300 families. The poverty levels of these weaver families are the lowest with annual incomes less than Rs.7000/

### Expected outputs and indicators

- Increase of annual income by more than 20% per annum
- Improved skills for revival of their traditional livelihood.
- Improved equipment and infrastructure to enhance production activities
- Direct access with the market for production of products as per market demands
- Increased communication and linkage with the industry for future production contracting activities
- Reduction of debt burden
- Increased management and production skills
- Improved quality of life for over 550 families ( to be covered in two phases with 1<sup>st</sup> phase of 250 weavers under TEAP and 2<sup>nd</sup> phase of 300 weavers under JFPR 9094-IND )
- Increase in the individual savings of the weaver families
- Increased banking practices for accruing savings
- Increased awareness of protection of assets created (insurance

## SECTION 6: CONTACT DETAILS

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Phone 91-4652-278608, 278214
5. Deemed Exporter
6. Exporters

### **Weavers' Cooperative Societies**

1. Thalakudi Mundanganvilai Industrial Weavers Cooperative Society Ltd; No TNH138, Thovalai Taluk, Kanyakumari District, Tamil Nadu
2. Eraniel Industrial Weavers Cooperative Society Ltd; TNH 74, Eraneil, Kadanvilai Taluk, 629 810, Kanyakumari District, Tamil Nadu
3. The Vadasery Priasingan Street Handloom Weavers Production and Sales Cooperative Society Ltd; No 3461 Vadasery, Nagercoil, 629 001 Kanyakumari District, Tamil Nadu
4. Sadayankulam Authiyadi Dr.Ambedkar Primary Cum Industrial Handloom Weavers Cooperative (Production and Sales) Society Ltd; TNH 132, Nagercoil, Kanyakumari District, Tamil Nadu
5. Putheri Industrial Handloom Weavers Cooperative (Production and Sales) Society Ltd; TNH 91, Nagercoil, Kanyakumari District, Tamil Nadu
6. Kamaraj Industrial Handloom Weavers Cooperative (Production and Sales) Society Ltd; TNH 110, Nagercoil, Kanyakumari District, Tamil Nadu