

Reducing poverty through productive activities: the handloom cluster of Chanderi

Chanderi is a small township in the state of Madhya Pradesh, India, host of a handloom cluster renowned for the production of silk sarees with ethnic motifs. Weaving in Chanderi is a century old profession and, today, more than 18,000 people directly or indirectly depend on it for their living. Most of them are men, although women are also involved in the activities of the cluster. Within the weaving community, production activities are divided between three social groups: the Master weavers, who provide raw material and control product marketing; weavers with entrepreneurial qualities owing their looms and selling mainly to the traders and master weavers; and the contract based weavers, who constitute the majority of the weaver community (60 to 70%) and are entirely dependent on the master weavers for the marketing of their products.

Despite its century-old weaving tradition, in the recent past the cluster had undergone a silent decline, which has exacerbated latent bottlenecks and inequalities.

The challenge

The diagnostic study conducted by UNIDO before the intervention, revealed that two intertwined problems affected the cluster: limited competitiveness and poverty. The artisans' competitiveness was hampered by the prevalence of a culture of skepticism towards technical change, especially among the traders, which retarded the introduction of more modern marketing techniques. Moreover, weavers' entrepreneurship and propensity to innovate were held back by the fear of losing their already low earnings. As a result, the cluster's designing capacities and quality standards did not keep pace with market requirements. Poor dyeing practices jeopardized product quality, while the limited availability of raw material in stock undermined the weavers' ability to comply promptly with new orders. Finally, mounting competition from 'look alike' products was eroding the markets of the cluster's products.

Poverty was pervasive among the majority of the weavers' households. In order to understand its causes and reach, a Participatory Poverty Appraisal (PPA) was included in the diagnostic. This revealed that poverty affected predominantly the most vulnerable groups,

namely contract based workers, women and ethnic minorities, albeit with differentiated impact. Contract based workers depended on a low and irregular income and had scarce bargaining power vis-à-vis the master weavers. Therefore, a situation of growth without equality had arisen, where traders and master weavers made large gains, while the earnings of waged workers stagnated to the point that 30-40% of the weaving community was unable to save for the next day.

The situation was exacerbated by the difficulty of accessing finance: most banks did not consider weavers as credit-worthy, while lack of knowledge about the functioning of financial institutions was common among the weavers, especially women. This led the weavers to approach informal moneylenders, who charged extremely high interest rates ranging between 24 and 36%. As a result, large part of the weavers was trapped into a continuous debt cycle, and was unable to take out loans for up-scaling production.

Women and minorities were affected by poverty not only in terms of material deprivation but also of powerlessness and disenfranchisement. Women, in particular, were mostly confined at home, lacked access to education and health facilities, and had very little say in decision-making.

As a result, an unbalance of power was tangible within the cluster between master weavers and waged workers, while inequality affected the population along gender and ethnic lines.

The answer

To address the challenges facing Chanderi, UNIDO adopted an equity-based development strategy. The intervention, thus, reached beyond increasing the cluster's competitiveness to also include reducing social imbalances. This required the implementation of a comprehensive set of initiatives that were developed by UNIDO with the support of local NGOs and national as well as international agencies.

To start with, the weavers were encouraged to create small, homogenous Self Help Groups (SHGs) in order to pool resources and undertake collective production. These networks were then organized in a larger federation, the Bunkar Vikas Sanstha (BVS), which

increased the bargaining power of its stakeholders and was able to sell directly to the market. Joint activities and exposure visits were organized that strengthened trust among members, while weavers were trained in weaving techniques and marketing.

In the framework of a pro-poor agenda, interventions were shaped on the needs of the marginalized groups. Consequently, a set of targeted initiatives was undertaken with the objective of giving voice and enhancing the self-esteem of women and ethnic minorities. In particular, gender equality was promoted through the establishment of all-women and mixed SHGs. Women's participation in SHGs activities was actively sought, they were involved into exposure visits and encouraged to take over leadership positions. Moreover, their capabilities were improved through the provision of technical training and literacy classes. However, it was also recognized that gender disparities owed largely to the cultural attitudes prevalent in the society. Therefore, the sensitization of men earned priority and joint workshops of men and women weavers were organized to discuss gender issues.

Main achievements

Following UNIDO's intervention, more than 600 weavers were organized in 60 SHGs, and 150 of them joined forces in the Bunkar Vikas Sansthan. By 2005, the turnover of this forum was in the order of US\$ 200,000, and is expected to grow.

The training and technical assistance provided by UNIDO helped the cluster's agents improve their weaving and dyeing techniques. This allowed them to upgrade production and outperform the competition of look alike fabrics. Moreover, the creation of collective networks of weavers provided them with a platform to access markets directly. New local and export markets were explored and linkages with around 10 new wholesale buyers established. Among these, there was Fab India, a private handicraft retailer with branches all over India, which started placing regular orders to the cluster producers in the order of US\$ 93,000 in 2005.

The efforts towards upgrading quality and up-scaling production impacted directly on the wages of the BVS members. The average wage of the weavers increased by an estimated 10 to 15 % during the period 2004 to 2006. Most interestingly, the rate of growth of the wages

was higher for the poorest group of producers, which proved that a cluster approach has the potential to trigger a pro-poor growth process.

The impact of the intervention reached beyond the BVS weavers. The bargaining power of non-BVS members vis-à-vis traders and master weavers increased, allowing them to obtain larger orders and higher prices, and networking initiatives have been replicated among a group of poorer weavers, who have engaged in joint production and marketing. The SGHs also proved an appropriate channel to facilitate access to consumption loans and working capital. On the one hand, these fora eased inter-lending among members. On the other hand, SHGs established linkages with financial institutions that provided BVS members with capital at 6% per annum, a rate of interest much lower than the institutional 12% prevailing previously. As a result, loans worth about US\$ 22,000 have been mobilized for the cluster, and access to finance at the household level has improved.

The adoption of an explicit focus on social imbalances allowed targeting the most marginalized groups, and yielded significant results in terms of empowerment and access to income generating activities. In the case of women, 61 female weavers were covered under a literacy programme, which improved their level of functional literacy as well as self-confidence. Moreover, health related information was disseminated to both men and women, and 290 weavers families were covered under a health insurance scheme. The organization of joint workshops and discussions increased the level of mutual trust and helped bridge the social gap separating women from men. Finally, by mid-2005, BVS created a gender subcommittee to support women's empowerment and took the lead in several initiatives aimed at promoting their participation into economic issues.

Once a level playing field for women weavers was built, their participation in business opportunities could be promoted. As a result, 186 female weavers have become members of SHGs and have created a parallel forum called Hamari Duniya.

Overall, the cluster development approach proved effective as a strategy to reduce poverty. The adoption of a Participatory Poverty Appraisal was crucial in maximizing the impact of the intervention, as it allowed identifying poverty nodes and customizing the initiatives on the beneficiaries' needs and characteristics. The intervention, thus, stretched

beyond cluster development to address the basic needs of the poor (health and education), since these were identified as key bottlenecks that prevented them from accessing business opportunities. As a result, the ground was laid for a process of growth with equity.