



## Social Development through Productive Activities in the Handloom Cluster of Barpalli



As part of the international commitment to achieve the Millennium Development Goals, UNIDO is strongly dedicated to reducing poverty through promotion of productive activities.

Since most industries in developing countries consist predominantly of micro, small and medium enterprises (MSMEs), specific approaches are called for to promote the competitiveness and the capabilities of these firms. One of such tools is cluster development. It focuses on targeting a large number of MSMEs that are located in geographical proximity and can thus specialize in inter-related activities.

Promoting the firms of a cluster does not however automatically translate into poverty reduction, unless an explicit pro-poor focus is adopted. Thus, UNIDO

provides support to clusters whose development has the potential to benefit poor people the most and it implements these interventions to maximize their pro-poor impact.

One such project has been recently implemented in the handloom cluster of Barpalli located in the western part of Orissa in India. The cluster includes 8 villages located in the district of Bargarh and comprises approximately 1,367 looms, or 68% of the total in the district. The production process in this cluster is highly labor intensive and marginalized segments of the society (such as women and scheduled castes) play an important role in this process.

### **The challenge**

Over the period 1960-1990, Barpalli was highly dependent on support and financing from cooperatives and state government agencies. These agencies were responsible for marketing the end products of local producers. This approach had a positive impact as it provided consistent employment and income to local producers, but it unfortunately resulted in low exposure to markets and thus little creation of marketing and innovation capabilities.

In the early 90, the success of these institutions declined. The result was a negative impact on the cluster in general and on the poorer weavers in the cluster in particular as they found themselves unable to reach the market and deprived of the subsidies and the credit that was provided by these institutions. The diagnostic study



undertaken by UNIDO at the onset of the intervention showed that most producers were unable to access other channels of credit resulting in distress selling, downgrading in the quality of raw materials (from silk to cotton), and inability to benefit from the purchasing of larger quantities of raw material.

In addition to these constraints, the study showed that a major obstacle to the development of the cluster was the inadequacy of the production system, which resulted in low productivity and low quality. For example, the bulk of pre-loom activities were done manually, which resulted in low productivity. Moreover, these activities were undertaken outdoor with the result of prolonged breaks during the rainy season. Similarly, looms were most often located directly in the house of the weavers that, in most cases, were unsuitable for production.

These features of production were linked to underlying social issues. The fact that whole families were integrated in the production process and that most of production was taking place in the houses of the weavers meant that in order to promote the development of the cluster and particularly the poorer segments, a joint social-economic approach needs to be adopted. For instance, improving the health conditions in the cluster, while an important objective in itself, was found to be also crucial in increasing productivity. Indeed, due to poor health conditions, weavers were forced to interrupt production and incurred high expenses for medicine and treatment which, in turn, negatively impacted on the saving abilities of these families.

By the same token, improving the housing condition was key to generate a more suitable environment for production and, thus, increasing the productivity in the cluster.

In such circumstances, addressing the problem of gender discrimination was a top priority. Women in the cluster were handling a disproportionately greater share of work as they were also responsible for household management and for raising children. They also had a limited access to resources and limited decision-making role in the community. Likewise, they played a subordinated role in the production process since they had no access to training and fewer opportunities to develop their skills. The result was that the main burden of poverty was falling on women.

### **UNIDO intervention**

Based on the diagnostic study and in collaboration with different stakeholders in the cluster, an intervention was designed to tackle these constraints in order to promote the development of the cluster and to reduce poverty amongst weavers.

This intervention identified that reducing poverty amongst weavers required a joint economic-social approach that, on the one hand, tackled the economic roots of poverty (limited access to credit, low productivity, etc) and, on the other hand, addressed the social aspects of the issue through specific measures that tackles housing, education, and women empowerment.



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One of the main constraints facing weavers was limited access to credit and lack of collateral to obtain loans. To tackle this issue, the project focused on establishing Joint Liability Groups of weavers to allow them to approach financial institutions and provide mutual guarantee to these institutions. Furthermore, the Cluster Development Agent appointed and trained by the project approached different banks and microfinance groups and organized visits by these organizations to the cluster to assess the financial needs of local producers and design corresponding financial products.

The project also focused on modernizing the production process in the cluster. The Cluster Development Agent helped weavers with visits to more dynamic clusters to raise awareness about advanced production processes. These visits encouraged local weavers to upgrade their production process through sharing the costs of manufacturing prototypes of more efficient weaving machines. To limit costs, these machines were manufactured locally using cheap local inputs, which also had positive impact on the cluster in terms of boosting vertical linkages and creating business for local producers of machines.

Other interventions were designed to improve the production process and raise the productivity. A program to provide training for semi-skilled weavers was initiated and assisted by UNIDO. Other measures included: raising awareness of the benefits of keeping an extra reed for each loom (which reduces the interruption in production and, thus, improve productivity), the use

of concrete pit (which allows weavers to continue production during rainy days and also improve the health conditions of the weavers), a centralized production system (which allows high quality and consistency in final products and, thus, allow weavers to cater to higher-end markets with higher margins).



Measures to improve the health conditions in the cluster were also undertaken. First, the intervention focused on the building of latrines to improve sanitation. In addition, poor families were encouraged to enroll in a health insurance scheme as this would reduce their expense on medical treatment and, thus, raise their ability to save and invest. Efforts were also undertaken to improve the housing condition in the cluster in order to ensure the weavers a better working environment. In addition, improving the housing conditions would result in a higher income for families as it was found that the interruptions in production due to poor housing conditions resulted in an annual loss of more than Rs.3000 per family.



Finally, the project focused on taking measures to improve the situation of women in the cluster as this will have a positive impact in terms of poverty reduction. These efforts focused first on trust-building between the Cluster Development Agent and women in the cluster. A group of women with strong leadership qualities was identified and a series of activities was organized to encourage them to engage in social and economic activities in the cluster. As a result, two women federations were set up comprising more than 250 women from two villages. These federations are undertaking social and economic activities including joint savings, joint training in design, and market exposure.

### Main achievements

- 752 weaving families (members of SHG/JLGs) are linked to formal credit sources. By January 2008, approx. US\$ 150,000 was extended to these groups of weaving families. This access to credit has resulted in a positive impact on the income of the weaving families.
- Increased productivity in the cluster due to the mechanization of the production process and the introduction of new production techniques.
- 37 sanitary latrines have been constructed and more than 1950 weavers have enrolled in the health insurance scheme while 860 weavers are covered by the life insurance scheme. This

would have important social and economic benefits to weavers as it will reduce diseases and also increase income by reducing interruptions in production.

- 125 poor families have applied for land registration and 20 families have enrolled in the housing scheme. The improved housing conditions also brought several economic and social benefits to weavers.
- The self-confidence of women in the cluster has increased. By undertaking joint social and economic activities, women are able to earn an independent income of their male counterparts and, thus, are increasingly participating in decision-making at the household and community level.

