

Terms of Reference
for
Engagement of
Technical Support Agency (TSA)
to lead
Cluster Development
in
Dindigul and Tiruvannamalai, Tamil Nadu

Contents

1. Invitation for Technical Support Agency (TSA) Engagement	3
2. Context of the Cluster Development Model	3
3. Cluster Development Objectives.....	4
4. Selection of Sectoral Clusters	4
5. Duration of Cluster Development Intervention	4
6. Technical Support Agency (TSA) for Sectoral Cluster	5
7. Scope of Work.....	5
A. Diagnostic Study and Intervention Plan	5
B. Product Development and Training	6
C. Institutionalise Beneficiaries (into enterprises / collectives)	6
D. Skill Upgradation and Capacity Building	7
E. Production.....	7
F. Marketing.....	8
G. Advisory Support.....	8
H. Handover activities	8
8. Deliverables and Timeline	9
9. Firm's Qualification and Experience Requirements.....	10
10. Team Composition	10
11. Reporting	12
12. Detailed Process for Cluster Approval.....	12
13. Selection of TSA	13
14. Development and Pitching of DSR by TSA.....	13
15. Working of TSA	13
16. Roles and Responsibilities of the TSA	14
16.A Preparatory Activities	14
16.B Implementation.....	14
17. Budget / Availability of Funds	15
18. Annexures:.....	16
18.1- Annexure 1- About Mat Making Cluster in Aavoor panchayat of Tiruvannamalai district, Tamil Nadu.....	16
18.2 Annexure 2: About Handloom Weavers' Cluster in blocks of Dindigul district, Tamil Nadu	17

1. Invitation for Technical Support Agency (TSA) Engagement

Tamil Nadu State Rural Livelihoods Mission (TNSRLM) invites the interest of selected organisations of national standing with deep sectoral expertise to partner with TNSRLM and lead the development of two innovative, high impact clusters of producers – handloom weavers and kora grass mat weavers. A summary of each cluster is provided in Annexures 1 and 2 respectively.

TNSRLM wishes to work closely with an institution of excellence in its domain, to:

1. Study the chosen cluster and establish a baseline and situation assessment of the livelihoods of the producers
2. Survey the landscape and identify opportunities that, when pursued effectively, can result in significant positive impact on the livelihoods of the producers
3. Identify and propose common and unique interventions, meeting NRLM guidelines
4. Execute the interventions, once approved for cluster development

2. Context of the Cluster Development Model

Promoting and strengthening non-farm clusters has been an important strategy for nurturing rural livelihoods under the Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM). Cluster approach allows for combining efforts, making use of synergies, and pooling resources to increase competitive advantage while sharing market risk.

Geographical agglomeration of enterprises does not automatically yield advantages associated with clustering. DAY-NRLM seeks to:

- Map the existing and potential enterprise agglomerations
- Understand the economic potential of the cluster, and
- Provide specific technical, capacity building, marketing, governance, and infrastructure support to transition them into remunerative clusters

A sectoral cluster is a concentration of enterprises making the same or similar range of products (goods / services) and that are:

- spread across several block or districts
- producing a similar range of goods / services and
- facing similar opportunities and challenges

The sectoral cluster could be geographically contiguous or discontinuous, i.e., dispersed within the larger area.

Under NRLM, two types of clusters shall be promoted:

1. Artisan clusters (handloom and handicrafts)
2. Sectoral clusters (food service, tourism, nutrition, etc.)

Development of sectoral cluster will primarily take place through:

- Soft interventions including design development, quality assurance, enterprise creation, market development, financing, technology upgradation, skilling, promoting responsible business interventions, strengthening the local ecosystem, and
- Hard interventions like creation of common facility centres (CFCs) / common production centres (CPCs) / common service centres (CSCs)

3. Cluster Development Objectives

Objectives of sectoral cluster development include improvement in parameters like increase in member income, employment (hours / days / months of engagement), number of enterprises, etc. Sectoral cluster may also be developed to tap into certain market opportunities, such as government procurements.

4. Selection of Sectoral Clusters

Sectoral clusters will be selected by the SRLM in consultation with NRLM. Each state must conduct a scoping study in all clusters that can potentially be supported under NRLM. The scoping study shall cover aspects mentioned in annexure 1. SRLM may add to the scope, if required. Post the scoping study, the SRLM shall, internally vet the scoping study with a committee of sectoral experts and if they approve of the scoping study outcome, inform the same to the NRLM. The NRLM shall evaluate the scoping study and in case the same is approved, inform the SRLM of its decision within 15 days of the receipt of the scoping study. Post the scoping study, the SRLM in consultation with the NRLM, shall shortlist 3 to 5 clusters (including artisan beneficiary and sectoral clusters). NRLM will form a committee of experts to advise states on selection of clusters. Preference might be given to those clusters with higher proportion of SC / ST entrepreneurs and / or those which cover aspirational districts, as designated by NITI Aayog.

5. Duration of Cluster Development Intervention

The SRLM should ensure that the cluster project is completed in four years from the date of approval of the proposal by the DAY-NRLM. The Benefit-Cost Ratio of 1.25 should be achieved within the stipulated time frame.

If, in exceptional cases, the TSA and the SRLM expect the project to be of a longer time frame than the stipulated 4 years, then this should be clearly spelt out in the DSR. A maximum of seven years duration may be planned.

The GOI shall fund the project only for a period of up to four years. The funding for the project beyond four years shall have to be provided by the state.

However, all reports of the cluster and its interventions and activities should be communicated to the NRLM, till the project ends.

6. Technical Support Agency (TSA) for Sectoral Cluster

For each selected sectoral cluster, the SRLM will engage a TSA. Once the agency is on board, it will prepare a business plan (including baseline) for the sectoral cluster and propose an intervention plan along with expected outputs and outcomes. The plan will be internally scrutinized by the SRLM and its committee of sectoral experts and if found feasible, submitted by the SRLM to the NRLM for approval. The NRLM may accept the proposal or may suggest modifications. The TSA and SRLM will initiate activities in the sectoral cluster post approval of intervention plan by the NRLM. The framework for conducting diagnostic study is appended in annexure 2. It is to be noted that only those sectoral clusters will be selected for which the cost-benefit ratio (at the culmination of the project) is proposed to be at least 1:1.25. The cost being the cost of approved values of the soft and hard interventions as per the action plan. The formula for calculating benefit is the sum total of all the incremental income of the beneficiaries of the sectoral cluster and the profit/(loss) of all the enterprises promoted under the cluster for the duration of the project. The cost is the total cost of the project (central and state share), including TSA costs.

The formula for the benefit cost ratio is:

$$\frac{\sum \text{Incremental income of the beneficiaries for the project duration} + \sum \text{Profit/(loss) of all the promoted enterprises for the project duration}}{\text{The total project cost}} > 1.25$$

7. Scope of Work

A. Diagnostic Study and Intervention Plan

The TSA's first activity in the proposed clusters is to conduct a diagnostic study. The objective of conducting diagnostic study in a cluster is to map all the business processes of the cluster units viz. manufacturing processes, technology, marketing, quality control, testing, purchase, outsourcing, etc to find out its strengths, weaknesses, opportunities and threats (SWOT), problems and impediments, and accordingly prepare a well-drawn action plan for enhancing competitiveness of the units of the cluster and to position the cluster on a self-sustaining trajectory of growth.

The study should focus on enhanced competitiveness, technology improvement, product diversification, capacity building, adoption of best manufacturing practices, marketing of products, employment generation, etc. The interventions should follow from and directly address the issues highlighted in the report. The agency will seek inputs from the SRLM prior to its study.

The study is expected to include a comprehensive skill assessment exercise on all beneficiaries in the proposed cluster. The TSA is expected to assess the target beneficiary and categorize them into three categories (for

example: A, B and C) on the basis of their skill sets.

Apart from skill assessment, the diagnostic study will identify other techno-managerial areas for capacity building and improvement. The TSA, after discussion with SRLM, will develop list of performance indicators to be tracked every quarter. The TSA will conduct a baseline exercise of the cluster and its beneficiaries (presently for existing and subsequently for all new beneficiaries) on the basis of performance indicators developed.

The agency will submit its report comprising

- **Diagnostic Study** containing skill assessment and baseline report and
- **Intervention Plan** to be implemented by it

The Intervention Plan prepared in the initial stages is subject to modification as it is expected that the plan may change as new facts, circumstances, requirements and ideas emerge. The TSA is expected to update the plan in consultation with the SRLM, whenever necessary, to enable mid-course corrections.

B. Product Development and Training

The TSA will (a) increase the range of products, and develop fresh, innovative and marketable approaches that are attractive to urban consumers and create opportunities to establish new B2B, B2C linkages (b) improve the quality of existing product portfolio. The agency will be working in close collaboration with the SRLM in specific product development activities for the international market.

Design / Product development through these workshops and trainings are part of the larger market strategy and should be accordingly timed by the TSA. The TSA is expected to prepare a market plan / strategy, identify target markets and segments, and accordingly plan product / design development.

C. Institutionalise Beneficiaries (into enterprises / collectives)

The TSA will mobilize and organize beneficiaries into enterprises or in one or more producer collectives in close coordination with the SRLM. The PC may be a Producer Company, a Cooperative or any other appropriate registered legal body, having mandatory ownership of beneficiaries, with the ability to conduct business on behalf of the beneficiaries. In case the TSA is forming enterprises, they should be registered in due course to be able to conduct business with external entities. The TSA will undertake relevant activities such as registration of the name of the entity, registering beneficiary members as shareholders, applying for bank accounts, TIN numbers etc.

Each producer collective will hire a CEO, an Admin and Finance officer, one or more Production Managers (as dictated by the geographical spread of operations) and other staff (wherever required) to facilitate smooth operations. The TSA will provide proactive support in the hiring process to ensure competent personnel are hired.

D. Skill Upgradation and Capacity Building

The TSA shall be responsible for providing training to the target group of beneficiaries on a regular basis to upgrade their skills such that they are able to produce marketable products with substantially improved quality. The TSA will also provide skill upgradation trainings in fabrication / finishing to beneficiaries in the fabrication / finishing unit.

Apart from skill up-gradation workshops and trainings aimed at enhancing the crafts skills of the beneficiaries, the TSA will organise managerial trainings that include trainings in record keeping, quality check, production management, costing, procurement, etc. These trainings will be provided to motivated beneficiaries / youth (identified according to well defined criteria) who will function as field level production managers.

The duration and frequency of the trainings will be as per need and determined jointly by the TSA and the SRLM. The agency will seek SRLM's inputs for developing specific capacity building and skill up gradation modules.

E. Production

The TSA will train the cluster in key business activities i.e. purchasing raw material, collecting raw material from traders, receiving orders, costing / pricing, carrying out production and marketing the finished product.

Based on orders from the market (that the TSA will actively generate), or on the TSA's assessment of potential demand, the TSA will facilitate production. The TSA will endeavour to include all beneficiaries / enterprises in the production process. The TSA will provide incubation support and techno-managerial services in the entire production chain including, but not limited to:

- On-going handholding support to clusters, including assisting them in developing a basic business plan and financial projections;
- Developing bank linkages for cluster or enterprises in the cluster so as to meet various capital needs of producers;
- Providing technical know-how and inputs;
- Securing backward linkages;
- Maintaining records;
- Maintaining quality; and
- Fostering linkages with other schemes and interventions working on non- farm livelihoods at the local, state and national levels.

F. Marketing

Developing market linkages for beneficiaries in the proposed cluster is a central activity in this project. All other activities that are part of the project scope (skill assessment, skill up gradation, product development and production) must be carried out with the market in mind. Marketing activities include but are not limited to the following:

- Actively generate orders from the market for products
- Facilitate participation of the cluster in national and international level fairs, exhibitions, sales, etc. over the project period
- Actively use digital and / or traditional media to promote cluster and products
- Design a catalogue or brochure for marketing purposes
- Design labels for the various products
- Assist in getting brochure / catalogue printed and the label made
- Develop marketing linkages with outlets / emporia and other boutique buyers

The role of the TSA in participation of fairs / exhibitions will be to execute activities such as:

- identifying the fair, exhibition or other marketing event the cluster will participate in
- Liaise with the organisers in booking suitable space
- Set up stalls and make suitable accommodation and transportation arrangements for the participants, and,
- Provide guidance and advisory support to participating beneficiaries throughout (at least one staff member of the TSA will accompany the participants)

G. Advisory Support

Besides the activities listed above, the TSA will provide key advisory support to the SRLM to facilitate project interventions. This will include proactive guidance in areas such as:

- Establishment of Common Facility Centres (CFCs)
- Establishment of the finishing / fabrication and packaging unit
- Establishment of other cluster assets, such as storage centres, support centres (such as childcare centres for women beneficiaries)
- Mobilization and institution building activities
- Exposure visits that can be organized to improve learning in key areas
- Developing marketing and publicity material
- Any other area that can significantly contribute to the effectiveness of the project.

H. Handover activities

At the end of the intervention period, the TSA will work with the cluster / enterprises in the cluster in preparing a business plan for the duration for

the project period after the project period. As part of this business plan, the TSA will clearly chart out actions in terms of skill development activities, design development activities, managerial trainings, supply chain activities, key investments, exposure visits, marketing strategy and business building activities etc. to ensure that cluster / enterprises in the cluster have a clear roadmap beyond the project period. The TSA will seek SRLM's inputs especially in the area of product development and marketing in developing this. The TSA will also ensure that the cluster / entrepreneurs have the capacity to scout, negotiate, and close orders.

8. Deliverables and Timeline

The duration of the project is 48 months. The deliverables and the corresponding indicative timelines are as follows:

Expected Deliverables	Indicative Timeline³
Intervention plan and baseline data	3 rd month
Registration of cluster / enterprises in the cluster	4 th month onwards
Skill up gradation trainings of beneficiaries	12 th month
Product / Service development workshops	
Managerial trainings for identified persons (in costing, quality control, managing producer groups, other key management areas)	
Cluster management trainings for identified persons	
Marketing workshops for cluster	
Catalogue / brochure, label, and marketing materials	After 15 th month
Confirmed business worth INR xx crores of products to beneficiary enterprises / collective	By 24 th month
Manufacture and delivery of orders worth INR xx crores of products/service by enterprises / collective	By 30 th month
Quarterly report of activities (including reporting of data on key indicators)	After every 3 months
Mid Term Report along with case studies	24 th month
3-year business plans for producer collectives Exit strategy and sustainability plan	36 th month
Project Completion Report	48 th month

Timeline may be revised as per the duration of the project.

9. Firm's Qualification and Experience Requirements

The agency must have:

- Prepared at least 4 DSRs in clusters or similar studies, preferably for micro and informal enterprises
- Implemented / provided technical assistance to at least 4 cluster development projects or similar programs
- Engaged in market promotion for micro and informal enterprises on at least 3 occasions
- Has experience of implementing skill development activities on at least 3 occasions
- Has been in existence for at least 3 years, barring the current year and has audited balance sheet of 3 years
- Experience working with at least 1,500 beneficiaries across a minimum of 2 states in India
- Created and supported at least one beneficiary producer company, preferably in product segment similar to the proposed cluster
- Proven track record in participating in major exhibitions nationally or internationally
- Prior experience of implementing programs supported by national, bilateral, and multilateral agencies will be a plus
- Experience of working in the state is a plus
- Joint bidding of at most two organization is permitted and in such cases the organizations should jointly possess the above minimum criteria
- Individual or proprietary establishments are not permitted to apply

10. Team Composition

The agency is expected to put in place a competent, dedicated team to ensure that the tasks are achieved with the highest quality. The guidelines for the team composition are as follows:

Team Member	Number of Members	Qualification, experience and responsibilities
Team Leader / Program Manager/ Director	1	At least 15 years of experience in cluster development (particularly non-farm / beneficiary cluster), institutional building, market development and other areas relevant to this assignment. Preferably from the sector of the cluster Will be responsible for providing overall direction and guidance to the team. Will interface with government officials, industry

Team Member	Number of Members	Qualification, experience and responsibilities
		experts and other key stakeholders. Qualification: Post-Graduation in Development Studies, Business Management, Rural Management, or related fields
Accounts manager	1	This role will provide part-time support to the project. At least 10 years of experience in the finance, procurement, drafting TORs and reporting to the grant maker. Experience in the social sector, NGO, government is a plus. Qualification: Graduation in Finance / Economics
Cluster Development Executive	1	At least 2 years of experience in enterprise promotion Will be placed in the cluster and will be responsible for providing operational support to the cluster. Qualification: Post-Graduation in Development Studies, Business Management, Rural Management, or related fields
Cluster Coordinator	1	Preferably recruited from the cluster; good rapport / influence in his/her own cluster and in the neighboring ones; a practitioner of the skill practiced in the said skill is a plus. Must have technical knowledge of the product, and be conversant in the local language Will be responsible for regular coordination with the implementing agency for all the interventions implemented in the cluster. Qualification: Graduate in any field
Finance Direct or	1	This role will provide part-time support to the project. At least 10 years of experience in the finance, procurement, drafting TORs and reporting to the grant maker. Experience in the social sector, NGO, government is a plus. Qualification: Graduation in Finance / Economics

Team Member	Number of Members	Qualification, experience and responsibilities
Sectoral Lead	1	At least 7 years of experience in sectoral skill training-oriented activities in the skill-based sector, well networked in sector's fraternity, thorough understanding of the market. Will be responsible for all the skill and design development training programs in the field. Qualification: Graduation in relevant sector
Sectoral Marketing Specialist	1	More than 10 years of experience in direct market positioning of Services/ products, pricing and costing mechanism; thorough understanding of various market segments such as exhibitions, export, fairs and festivals, retail B2B and e-commerce. Will be expected to have in depth knowledge of new industry practices, certifications, regulations etc.
		Qualification: Post-Graduation in Business Administration
Skill Trainers / Master beneficiaries	As required	Minimum 10 years of experience in relevant skills in active practice at the cluster level as well as outside.

Additionally, the project may require services of other support providers in the form of the following. These services may be engaged on a part-time / contract basis by the TSA.

11. Reporting

The TSA will report directly to the SPM Non-Farm Livelihoods or a suitable official nominated by the State Director of the SRLM.

12. Detailed Process for Cluster Approval

The detailed process of cluster approval is presented below:

1. The SRLM conducts scoping study using NRP's/ SRPs
2. The state appointed committee of sectoral experts vets the scoping study and recommends financially feasible proposals for preparation of the DSR. The details of the same would be informed to NRLM. The NRLM shall evaluate the scoping study and in case the same is approved, of its decision within 15 days of the receipt of the scoping study
3. The SRLM prepares and floats an RFP for selection of TSA

4. The SRLM procures TSA with the relevant sectoral skills and experience for preparation of the DSR.
5. The TSA makes the baseline, business plan, intervention plan as part of the Diagnostic study report
6. The state appointed committee of sectoral experts vets the DSR and recommends financially feasible proposals for forwarding to the NRLM for approval. (The benefit cost ratio should be greater than 1.25 during the project period)
7. NMMU vets the DSR with a committee of experts. If found feasible by this committee, it is forwarded to the EC of the NRLM for approval
8. Post the approval of the EC of the NRLM, the proposal is sanctioned and funds released to the SRLM
9. The SRLM and TSA implement the project

13. Selection of TSA

The selection of TSA will be based on demonstrated experience and proven ability in the following areas. The TSA must have:

- Demonstrated experience of implementing / providing technical assistance to at least 2 similar cluster development programmes within the country
- Should have an office and staff (or a full-time consultant) in the State where it has applied for
- Has been in existence for at least 3 years, barring the current year and has audited balance sheet of 3 years
- Joint bidding of at most two organizations is permitted and in such cases the organizations should jointly possess the above minimum criteria
- Individual or proprietary establishments are not permitted to apply

14. Development and Pitching of DSR by TSA

Once the SRLM identifies an interested and competent TSA, the work proceeds as follows:

- The TSA makes the baseline, business plan, intervention plan as part of the Diagnostic study report
- The state appointed committee of sectoral experts vets the DSR and recommends financially feasible proposals for forwarding to the NRLM for approval
- NMMU vets the DSR with a committee of experts. If found feasible by this committee, it is forwarded to the EC of the NRLM for approval
- Post the approval of the EC of the NRLM, the proposal is sanctioned and funds released to the SRLM
- The SRLM and TSA implement the project

15. Working of TSA

TSA's can be procured by the SRLM for supporting one or more cluster(s) in the state. The SRLM can also hire the services of a National Resource Organisation (NRO) with experience and competence to support the sectoral

cluster activity. Experienced CBOs which have done the sectoral cluster activities and have capable resource persons may also be selected as TSAs. The concerned SRLM shall support the TSA in discharging their responsibilities. The state may also train existing CBOs to take on this role.

The TSA will prepare the business plan along with the intervention plan and baseline study. The TSA must submit an annual work plan, detailing activities and budget for that year. The annual work plan must be in line with the larger implementation plan approved by the NRLM. The annual work plan must be approved by the State Mission Director of the concerned SRLM and must be communicated to NRLM. Once a year (preferably during the sixth month) the SRLM and TSA may jointly review the work plan and can modify the same as per mutual agreement. The State Mission Director can authorise change in activities amounting up to 10% of the budget allocated in the annual work plan. Any change in activities that warrant a change of more than 10% of the annual budget, must be brought to the notice of NRLM and necessary authorisation may be sought.

16. Roles and Responsibilities of the TSA

16.A Preparatory Activities

1. Put team in place as per resumes submitted during application
2. Appoint a nodal person to actively coordinate with the SRLM. The nodal person can be one of the proposed team members of the TSA
3. Engage with the DPM and other non-farm professionals in the District /The defined Nodal officer from the SRLM for the cluster to discuss on the last-mile support, wherever required
4. Prepare business plan, implementation plan, and baseline. Baseline survey should cover all SHG-member households engaged in the sectoral cluster activities. The Baseline should cover existing income and proposed income from the intervention.

16.B Implementation

1. Implement action plans for the year and achieve the approved outcomes of year 1
2. Get action plan and targeted outcome for subsequent years approved by SRLM / NRLM and implement the same
3. Get action plan, exit strategy and targeted outcome for the last year approved by SRLM / NRLM and implement the same
4. Ensure enterprises are to be registered in due course. The TSA will also ensure that the necessary legal / registration formalities are complied with
5. Assist SRLM in preparing guidelines / policy for sectoral cluster sustainability (how will the sectoral cluster sustain institutionally, operationally, and financially once the TSA / SRLM withdraw support)
6. Participate in quarterly or more frequent review meetings
7. Create monthly, quarterly, and annual report for each year and get approved by SRLM and NRLM

8. Wherever possible, the TSA must seek to converge with the existing skill development programmes of Ministry of Rural Development (such as DDU-GKY, RSETI etc.) as well as schemes of other ministries for infrastructure
9. Participate in review meetings organized by the SRLM and provide regular reports on performance of supported enterprises as per agreed terms
10. The TSA must ensure achievement of cost-benefit ratio of at least 1:1.25 at the culmination of the project. The income earned by the sectoral cluster members should be more than the aspirational income stated at the beginning of the intervention.
11. Maintain performance tracking system (PTS) for the sectoral enterprises
12. Help enterprises prepare financial statements and comply with bank requirements for accessing loans (if required) from banks
13. Based on the implementation experience, prepare a plan for scalability and replicability of the sectoral cluster across the state

17. Budget / Availability of Funds

The project has planned a maximum of INR 5 crore per cluster for setting-up and operationalising the clusters. Additional funds may be leveraged through convergence with existing government schemes such as SFURTI etc.

Not more than 40% (up to a maximum of INR 100 lakh) of the total project cost for each cluster should be spent on infrastructure (such as common production centres / common facility centres / common service centres) and machinery. This fund is not permissible for spending on civil constructions (such as buildings). The cluster / TSA should leverage on existing government buildings for this purpose. The project funds may be used to carry out minor repairs / upgradations to existing building. The infrastructure fund should ideally be used for purchase of assets for operation of the cluster enterprise. Ministry of Rural Development and Ministry of Micro, Small, and Medium Enterprises shall coordinate with each other to ensure that there is no overlap between CFCs supported by both ministries.

The TSA charges should not exceed 15% of the total project cost.

18. Annexures:

18.1- Annexure 1- About Mat Making Cluster in Aavoor panchayat of Tiruvannamalai district, Tamil Nadu

(Extract from Scoping Study)

This report from the Cluster Scoping Exercise, carried out in March 2024, for the mat making industry in Avoor panchayat, Keelpennathur block, Tiruvannamalai district of Tamil Nadu recommends that a sectoral cluster in reed mat making can be promoted in Avoor.

The panchayat has directly, from the rapid survey carried out, identified at least 88 units which have at least one mat making machine. Estimates that need physical verification indicate there would be 200 mat making units in Avoor panchayat. It may be noted that many units have more than one machine installed and operational.

In Avoor, mat making is a dependable source of wage employment for machine operators, women engaged in cleaning the reed from the *korai* or sedge grass, dyeing, tying the threads in the product comes out of the machine before it goes for finishing, stitching the nada, and servicing of machines.

The business owners are resilient and continue to see opportunity in mat making, in spite of facing pressure from rising input costs, limited access to affordable working capital, and a challenge in raising the prices of finished products which have become commodities.

With integrated support, the mat making cluster in Avoor can gain from the benefits of aggregation and value addition in both activities – upstream (materials flowing in for production) and downstream (finished products flowing away to customers). Furthermore, the organised cluster would make it possible to give the members/participants access to social security coverage.

The cluster promotion efforts will have to support the mat making businesses to emerge from the commoditised product trap they are in. Specifically, the cluster development efforts must support the unit owners to start making value-added products with better price realization and to reach more remunerative markets.

A producer organisation, with full members and associate members, is proposed in Avoor.

18.2 Annexure 2: About Handloom Weavers' Cluster in blocks of Dindigul district, Tamil Nadu

(Extract from Scoping Study)

The Cluster Scoping Exercise, carried out in March 2024, for the handloom weaving industry in Dindigul district of Tamil Nadu recommended that a sectoral cluster in handloom weaving be promoted in Dindigul, covering three or four selected blocks (Athoor, Dindigul, and Palani).

The cluster scoping exercise was based on the block-level data provided by the Mission; the team has identified almost three hundred units.

In the three locations visited, handloom weaving has been the main source of wage employment for the population involved in pre-loom and on loom activities.

As in the past, the technically highly skilled weavers today depend greatly on the master weavers' businesses. The photos presented at the end of this report are representative of the strikingly beautiful sarees the weavers create with painstaking labour.

However, the master weaver businesses themselves have found the going challenging and register lower volumes in sales every year. Furthermore, the weaver cooperative societies also face their own challenges.

As a result of the system-level challenges (both in the traditional master weaver business model and in the cooperative business model), the skilled weavers find their livelihoods have shrunk.

The challenges have pushed the few hundred individual weavers to the brink, in their uphill struggle to sustain themselves and the very craft that has been their sustenance, across generations.

The adverse impacts are expressed in terms of:

1. Reduced number of days of work per month (the scoping study found that this down to half of pre-COVID levels)
2. Reduced wages per day for highly skilled work (often, less than even the MNREGA daily rate which is a demand-based programme for unskilled labour)
3. Stagnant wages (no annual revision, as before; now, wages are revised once in three years)
4. Reduced benefits (no longer can weavers expect to get advances or an annual festival bonus from the master weaver because the business has shrunk)

The extent of these adverse impacts and the coping mechanism of the weavers are discussed in the report.

Both weavers and the master weavers independently shared strikingly similar narratives of the current state of the weaving cluster in Dindigul. They also expressed the hope that an intervention from the government can make a difference.

The recommendation of the scoping study is to design a cluster promotion intervention in which marketing gets significantly higher than normal investments, as this is the most critical challenge in the handloom woven product category. The entire chain of adverse events has been triggered by macro changes including GST and changing market preferences. A successful market creation effort will solve the biggest constraint and feed the creation capacity of the weavers.

Such an intervention should address two performance indicators:

1. Generating incremental demand
2. Maximising weavers' share in consumer rupee

In this connection, the National Handloom Development Corporation's report commissioned in 2016, titled '[Market Research for promotion of India Handloom brand](#)' makes a number of relevant observations and recommendations that are suitable for the cluster promotion effort.

With a highly market-driven intervention, the handloom weaving cluster in Dindigul district can engage the weavers and make a difference in the following ways:

1. **Supplement** the number of days that the master weaver business model is able to offer the weavers presently; note that the intervention cannot and must not seek to replace the master weaver business model who have decades of knowhow that cannot be ignored or replaced; initially, the cluster development effort must be visualised and built as a supplementary model
2. **Reward** the weavers with better per day wages than the master weaver business model is able to pay (for the number of additional days that the cluster business model/collective business model is able to create)
3. **Protect** the weavers through a model in which the collective enterprise facilitates access to social security coverage

The cluster promotion efforts will have to support the handloom weavers to emerge from the current downward spiral they are trapped in.

Only after this is done well would it be possible to show the younger generation that weaving can once more a rewarding source of livelihood.