

## **II PHASE PROGRESS OF CHITRIKA**

### **Introduction**

Chitrika has entered a crucial phase at the field level as well as at the strategic level. In the field we have built the ground all these months and now we are entering into the business phase. This calls for strengthening the existing cooperative and slowly exploring the nearby villages. At the organizational level, systems are streamlined, legal compliances have been fulfilled and regular reporting is done. For the first time we are associating with other organization to conduct studies. Revenue in the form of consulting to pay salaries is also coming in at regular intervals. But Chitrika plans to cut down on consulting and concentrate on cluster development in handlooms.

Now we are in a phase where we have to start showing results as some investment has been made in the villages as well as at the organization level. As an organization Chitrika is resource conscious and would want to work on improving its efficiency both in terms of productivity in the filed area and in keeping the administrative expenses low. One tangible outcome in the last one year is the formation of the cooperative in Devaravalasa village and two training programmes at the village level. The market exploration studies also helped us prepare the ground for the cooperative. By the time we come out with the next learning document, Chitrika hopes to increase the number of weavers and show some improvement in their incomes.

### **At Ponduru and Devaravalasa**

The period starting from June 2006 has been crucial for Chitrika and the weavers in Ponduru and Devaravalasa villages. From the orientation programme we have to move into real life implementation, testing new waters and preparing for unknown challenges. Excerpts from some of our field experiences:

#### Yarn Procurement

Chitrika explored spinning mills in Tanuku and Gunturu areas for Devaravalasa cooperative. It was felt that the economics did not work out in the favour of weavers as the scale is small currently. Hence, the yarn for initial rounds of production is procured from a trader in Vizayanagaram on cash basis. The yarn prices are currently high by nearly Rs.100 in the last three months. Prices are expected to come down by January 2007.

Yarn market is controlled by few spinning mills. Yarn from NHDC is not available in sufficient quantity and in time. For direct procurement from the spinning mills in large quantities, one has to have monopoly dealership, which can be obtained after depositing Rs.5 lakh with the mills. Also spinning mills supply in bales and any order for lesser quantity is not entertained. The procurement procedure requires that the ordering party first issue demand draft and procure yarn after mills receive the demand draft. Hence, even big master weavers do not procure directly from the mills but from the monopoly traders.

### Market

After exploring eight major markets, it was felt that initial production will be marketed in small towns where the demand for new designs is less. Cooperative Society is able to get 3000 meters orders from these places. Out of which, nearly 800 meters are cash transactions. As the society is new, the weavers and Chitrika have decided to first service the cash sales in the initial few months. We were able to explore only 25% of the market so far. In the coming months, major markets in Andhra Pradesh will be covered.

Market for Ponduru products is inundated with fake power loom products. In the long-term one has to work on increasing the awareness of the end customer who is willing to pay for handlooms but cannot recognize genuine handloom product. A detailed marketing report is in the process. This report will present our observations on the local market and will contain details about the traders visited and the overall assessment on each market visited.

### Advance to weavers

So far the direct loan to the cooperative is Rs.1,16,500 comprising of working capital loan, fixed investment loan and a general loan for the consumption needs of the weavers. In the coming year, more comprehensive financial instruments like equipment loans and insurance will be provided by the cooperative to its members.

In this year, the following progress has been made at the Ponduru Cluster.

#### *June*

- Grama Sabha of weavers and villagers in Devaravalasa (D' Valasa) village to share the learnings of the value-chain orientation programme. The meeting was also aimed at mobilizing other weavers who have not attended the training programme
- Distribution of pamphlets containing the summary of learnings at orientation training in the villages - Ponduru and D' Valasa

#### *July and August*

Selecting the youth to undertake the baseline of D' Valasa Village. Now Chitrika has a complete database of all the 76 weaver families in D'Valasa, which has been built by the weaver youth themselves. We feel encouraged by the support.

- Completion of baseline of Devaravalasa village by the youth weavers
- Discussions with women weavers
- Identification of the potential members for the formation of the cooperative in D'Valasa village
- Completed Documents
  - Bylaws
  - Business Rules
  - Production Plan
  - Working Capital Estimation
  - Defects Chart
  - Wages Chart
  - Business Plan (needs fine tuning as the community is preparing on its own for first time and hence some wetting has to be done)

*September and October*

- Identification of the office
- Mobilization of members to pay working capital deposit, which will be completed by November 30<sup>th</sup> 2006.
- Handloom Market study of 1) Vijayawada, 2) Guntur, 3) Kurnool, 4) Cudappa, 5) Vishakapatnam, 6) Vizayanagaram, 7) Rajam and 8) Hyderabad
- Exploration on bleaching, dyeing in Srikakulam and Appapuram areas
- Exploration of equipments, stationery and other material for the cooperative

*November*

- First training programme of the members and the board. 20 weavers have participated in this one day training programme. More training programmes have been planned in the next three months for the board, members and the employees.
- Elections were held during the training programme and a 6-member board was constituted.
- Mr. Suryanarayana has been employed by the cooperative to manage the financial and marketing aspects. Applications were invited, test was conducted and later the board of the society screened the candidates and based on the overall score, he was selected. Since the society is small, initially the cooperative will have one employee.
- Sri Umachandrashekara Weavers Mutually Aided Cooperative Society was registered on 10<sup>th</sup> November 2006 with 10 weavers. The society started functioning from 30<sup>th</sup> November 2006 by distributing yarn and operationalizing the systems. 10 weavers were given yarn for producing total of 660 meters.
- The society has requested for a loan of Rs.60,000 with Rs.10,000 as investment capital and Rs.50,000 as cash credit.

*December*

- Production was in the process
- Market exploration of East and West Godavari districts are completed
- Re-exploration of Vijayawada market is still in the process

*January*

- East Godavari Market Exploration
- New yarn market exploration
- Advances to weavers for consumption credit

*February and March*

The first business cycle of the cooperative is complete and as on March 31<sup>st</sup> 2007, the sales stood at Rs. 50, 843 and profit at Rs.13, 851. As on May 31<sup>st</sup> 2007, the sales figure is around 1.63 lakhs. Preparations are underway for the bringing out the first annual report, restructuring the board and broadening the marketing network. First round of accounting training is complete with the help of Mr. Madhusudhan from Access Livelihoods Consulting India Private Limited, Hyderabad. In the next few months the focus will be on:

- Expanding the membership base with 50% of the work coming from the cooperative
- Training two youth in marketing

- Start working on naturally dyed fabric
- At least 3 institutional and regular buyers for the cooperative
- Computerization of accounts and production systems
- Moving from fabric to garmenting, sarees and made-ups

#### **Performance of the Cooperative Society**

#	Parameter	Number	Details
1	Number of Members	23	
2	Total Turnover	Rs. 1.63 lakhs	Up to May 2007
3	Net Profit	Rs. 27,721 (17%)	Up to March 2007
4	Total Production (Meters)	924	Up to March 2007
5	Total Borrowings of the cooperative	1,16,500	→ Cash Credit: Rs.78,650 → Fixed Capital: Rs. 9353 → General Loan: Rs.28,500
6	Board Meetings	10	Twice monthly
7	Member Funds Invested	24,769	→ Share Capital: Rs.2200 → Long-term deposits: Rs.20,106 → Thrift: Rs. 2463

#### **At Chitrika**

The year has been challenging for Chitrika in terms of funds, human resources and slow progress at the field level. Many unforeseen human factors have made it stop a while at every few steps. The staff strength has come down to two from three. Now we are on look out for a business development manager to work building the artisan market and support us in our field work as per the requirements. At the strategic level, it seemed difficult to attract talent as the organization is new and structure is amoebic currently. Now the strategy is to strengthen the field staff and later increase the head team as this will give sufficient time to build critical mass at the field level.

In generating revenue Access Livelihoods Consulting India Private Limited (ALCI) has been supportive by giving Chitrika consulting opportunities for augmenting its internal resources.

#### Consultancy Assignments

The consultancy projects undertaken by Chitrika during this period are:

- For International Institute for Sustainable Development (IISD), a study on price volatility in cotton yarn sector (underway)
- Study on Wage status of Weavers in Srikakulam district for Center for Handlooms Information and Policy Advocacy (CHIP)
- Two Sessions in NISIET on “*Role of NGOs in Artisan Livelihoods*”
- FAO-IDRC Study on Urban and Peri-Urban Agriculture: Towards better understanding of low-income producer organizations
- Social Audit Documentation assignment for Action Aid Asia in Anantapur

- Improvement of Livelihoods Manual for Access Livelihoods Consulting India Pvt. Ltd.
- Proposal writing for Sri Sai Educational Society under “Baba Saheb Ambedkar Hastshilp Vikas Yojana” on training and developing women artisans in Telangana region adopting Integrated Cluster Development Approach

#### Other “in-the-process” assignments

- Applied for Business Plan competition under Global Social Venture Competition and has been short-listed for Semi-final round, which was held in March 2007. The proposal is on setting up a producer company offering services throughout the value-chain for the artisans.
- Currently working on two manuals for ALCI
  - Financing the Livelihoods of the Poor
  - Collective Action for Enhancing Rural Livelihoods

#### Trainings Programmes and Workshops

- Mr. Srinivas, cluster coordinator went on an exposure visit to Cooperative Development Foundation (CDF) to understand cooperative management, practices at the field level and to improve his systems orientation.
- Ms. Malika attended NAMA conference in October 2006 to understand effect of WTO regime on Handlooms
- Chitrika was the part of a team filming the pastoral life and practices of the shepherds and wool weavers in Medak region. This visit was an attempt to explore areas of wool weaving to work in near future
- Ms. Switha attended the review meeting of Sri Ratan Tata Trust on their fellowship programme. Ms. Switha is on the fellows.
- Part of the resource team for training an Weaver based NGO CHIP on making weaving a sustainable livelihood
- Documented the workshop on “Emerging Challenges for Organization Development of Peoples Collectives”
- Presented a paper on the status of Deccani wool in the workshop on improving Deccani wool jointly organized by Anthra and Janjagan

#### Papers

- Paper on “Laying the Foundation” outlining the challenges in the first phase of a collective for the workshop “Emerging Challenges for Organization Development of Peoples Collectives” for Sir Ratan Tata Trust
- Paper on “Weaving as Sustainable Livelihoods”
- Paper on “Producer Company for Artisan Livelihoods” (underway)
- Book on “Deccani Wool Sub-sector Stucy” got published and released by Anthra, the organization, which supported the study

#### Awards

CEO of Chitrika Ms. Vijaya Switha Grandhi has won 1<sup>st</sup> Prize in Srijan Micro Finance Business Plan, which was organized by Intellectap and Aavishkar in April 2007. The

prize money was Rs. 1.5 Lakh, which will be transferred to Chitrika to increase its reach. Micro finance for the weavers is the main theme of the business plan.

#### Administrative Work

- Financial systems, Human Resource Policy have been streamlined. All the systems are in place and administrative work is shared by Ms. Malika and Ms. Switha.
- FCRA prior permission granted
- 12 A, 80(G) registration completed

#### Funding

##### Chitrika's Sources of Funds

<b>Funding Organization</b>	<b>Grant amount</b>	<b>Purpose/ Nature of grant</b>	<b>Period</b>	<b>Status</b>
FWWB	Rs. 1.25 lakhs	Capacity building	2006	Utilized
Cooperative Development Foundation	Rs. 1 lakh	Seed grant	-	Balance of Rs.50,000
GMR	Rs.87,973	Capacity Building	2006	Utilized
HIVOS	10,000 Euros	Cluster Development	2007	Yet to receive
Consulting	Rs.89,652	Administrative Expenses	2006-2007	Utilized
Individual Soft Loan	Rs.80,000	Loan to the Cooperative	2007	Utilized

#### Further plans

##### *Programme*

- Increasing the number of weaver cluster to three - to reach 100 weavers in the next financial year
- Operationalize complete range of financial services for the weavers working with Chitrika
- Establish a yarn depot in Devaravalasa village
- Enter into garmenting sector
- Collaboration with FINO (ICICI's technological initiative) to explore technological services for weavers
- Design development in environmental friendly way with the help of private shops in Hyderabad
- Collaboration with "Urvi", a boutique in Hyderabad to work on Khadi in Srikakulam district
- Exploring wool weaving in Andhra Pradesh in collaboration with Shramik Kala, Belgaum
- Alternative livelihoods training programme for weaver youth

##### *Other Support services by Chitrika*

- Training Programme for artisan support NGOs
- Local campaign on "Know Handlooms"

- Book on promoting cooperatives and financing the livelihoods of the poor
- Developing material on training members and board of cooperatives especially in the weaving sector
- Papers on
  - ICT and artisan livelihoods
  - Environment and artisan livelihoods
  - Export processes made easy - for artisan organizations
  - Institutional models in handloom sector

### **Overall Progress**

At Chitrika, we felt that more rigorous exploration of the market has to be undertaken. We have developed a plan for Pan Andhra Pradesh marketing study with technical and quantitative focus. We think that this study will be the base to develop market intelligence system for the weavers. At the team level, we think that some capacity building of strategic team and field team has to be undertaken - technical, organizational and administrative. We are working towards developing a capacity building plan for Chitrika. We are also working on thematic proposals on technology, environment and exports.

The progress in Devaravalasa village has been slightly drawn due to local politics and apprehensions of the weavers. Also if one looks at the sectoral level, weaving is not a growing sector with many weavers shifting to other occupations. Hence, it is a bigger challenge for Chitrika to improve the access of weavers to market through their own institutions and to build confidence that market exists for quality products that are competitively priced. For this to happen, even at Chitrika we need to improve our horizons and innovate on marketing aspects.

The current team of Chitrika has two members - Vijaya Switha, CEO and Mr. Srinivas, Cluster Coordinator. Currently it is in the process of recruiting one programme coordinator, field coordinator and one administrative assistant.

### **Challenges for Chitrika**

In the last progress report, in the section of unresolved issues there were few points which have been resolved and in some cases we had a change of perspective. Cooperative registration under the new law was relatively easy with just few hassles. Doing consultancy assignments still remains an unresolved issue. It will remain so, till we get some institutional funding. The new challenges this time around are:

- Increasing the number of weavers and that in turn is dependent on the market
- A possible threat from the master weavers and other NGOs in poaching the weavers. The method followed in mobilizing the weavers and forming the cooperative was done effectively without violating legal, moral and cultural norms. But still sometimes the weavers get lured by extra benefits of increased wages in short term without the need for collective form, which is a more sustainable option. Though as on date no weavers have shifted parties, may be the game will begin after few months. But at Chitrika we felt that we will not get involved in sop giving games and indulge in populist initiatives. Hence, we have left it to the weavers and are confident at least few of them will understand the difference between extra wages

they earn through working for older cooperatives/NGOs and owning this new cooperative to earn profits too.

- The handloom business runs on credit and the holding period in some markets is more than 6 months. Master weavers have huge holding capacity and this beats us in the game. Getting working capital at low interests is one of the challenges for us to compete with the master weavers and in expanding to credit markets
- Exploring new artisan clusters is becoming difficult as the search is more based on potential cluster coordinator's preference areas (geographically) rather than the need. Hence human resources still remain scarce or in case of availability have too many criteria
- Increased migration of the weavers to cities means that Chitrika has to soon work on alternative livelihoods for the weavers. How to balance the opposing objectives of enhancing weavers livelihoods by improving weaving and by improving external opportunities

*The overall challenge this time is  
"Bringing a change in the way business is done in handlooms"*



**AUDITED STATEMENTS OF ACCOUNTS**

**CONSOLIDATED RECEIPTS AND PAYMENT ACCOUNT FOR THE YEAR ENDED  
31.03.2007**

**Amount in Rupees (Rs.)**

#	RECEIPTS	Amount	#	PAYMENTS	Amount
1	Cash in Hand	170.00	<b>I</b>	<b>Programme Expenses</b>	
2	Opening Bank Balance	500.00		<i>Technical Support</i>	
3	Grant from Members	31477.00		Exploratory Studies	1274
4	Grant from CDF	100000.00		Marketing Support to SUCC MAC Society	4141
5	Grant from FWWB India	125000.00		Marketing Studies	17143
6	Grant from GMR Trust	87973.00		Support services	3016
7	Loan from Mr. RK Anil	80000.00		<i>Human Resources Management</i>	
8	Field Programme	89652.00		Salaries	212680
9	Interest on Bank Account	1323.00		Staff Training	1387
				Library	1475
				Travel	20437
				<i>Capacity Building</i>	
				SUCCS Training to Members	56447
				Miscellaneous	90
			<b>II</b>	<b>Administrative Expenses</b>	
				Audit Expenses	1500
				Bank Charges	320
				Board Meetings	59
				Computer Maintenance	500
				Office Rent	13500
				Communication	6740
				Registration Expenses	1040
				Miscellaneous expenses	315
				Postage & Courier	609
			<b>III</b>	Advance to SUCCSS Deveravalasa	116500.00
				Rent Deposit	500.00
			<b>IV</b>	TDS Receivable	4446.00
			<b>V</b>	<b>Cash &amp; Bank Balances</b>	
				Closing Cash Balance	3117.00
				Closing Bank Balance -FCRA	500.00
				Closing Bank Balance - SB	48359.00
	<b>TOTAL</b>	<b>516095.00</b>		<b>TOTAL</b>	<b>516095.00</b>

**INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31.03.2007**  
**Amount in Rupees (Rs.)**

#	EXPENDITURE	AMOUNT	#	INCOME	AMOUNT
<b>I</b>	<b>Programme Expenses</b>		<b>I</b>	<b>Direct Incomes</b>	
	<i>Technical Support</i>			Field Studies	20000
	Exploratory Studies	1274		Donations	76370
	Marketing Support to SUCC MAC Society	4141		Grants	
	Marketing Studies	17143		<i>CDF</i>	100000
	Support services	3016		<i>FWWB</i>	125000
	<i>Human Resources Management</i>			<i>GMR Airport Authority</i>	87973
	Salaries	212680		<i>Members</i>	24759
	Salaries Payable	78000			
	Staff Training	1387			
	Library	1475			
	Travel	20437			
	<i>Capacity Building</i>		<b>II</b>	<b>Indirect Income</b>	
	SUCCS Training to Members	56447		Interest on Bank account	1323
	Miscellaneous	90		Interest from SUCCS	2138
<b>II</b>	<b>Administrative Expenses</b>				
	Audit Expenses	1500			
	Bank Charges	320			
	Board Meetings	59			
	Computer Maintenance	500			
	Office Rent	13500			
	Communication	6740			
	Registration Expenses	540			
	Miscellaneous expenses	315			
	Postage & Courier	609			
	Audit Fee payable	1000			
	<i>Excess Income over Expenditure</i>	<b>16390</b>			
	<b>TOTAL</b>	<b>437563</b>		<b>TOTAL</b>	<b>437563</b>

**BALANCE SHEET AS ON 31.03.2007**

**Amount in Rupees**

**(Rs.)**

#	LIABILITIES	AMOUNT	#	ASSETS	AMOUNT
I	Excess of Income over Expenditure		I	Current Assets	
	Last Year	170	1	Cash in Hand	3117
	Current Year	16390	2	Cash at Bank	
				Andhra Bank SB A/c	48359
II	Outstanding Audit Fee	1000		Andhra Bank FCRA A/c	500
	Salaries Payable	78000	3	Rent Deposits	500
III	Unsecured Loan	80,000	4	Advance to SUCC Weavers' MAC Society	116500
			5	Interest Receivable from SUCCS Weavers' MAC Society	2138
			6	TDS Receivable	4446
	<b>TOTAL</b>	<b>175560</b>		<b>TOTAL</b>	<b>175560</b>