

Killing Handloom Sector through Public Policies

Handloom Sector in Union Budgets

Arun Jaitley has presented the budget for the year 2014-15, in the Parliament. The following is the table of allocations, in comparison with previous two budgets:

Allocations for Handloom Schemes in Union Budget			
Scheme	2012-13	2013-14	2014-15
National Handloom Development Programme			62
Comprehensive Handloom Development scheme		107	0
Integrated Handloom Development Scheme (CSS)	170.00		
Revival reforms and restructuring package for handlooms (CSS)	2205.00	157	
Market and Export Promotion Scheme (CSS)	48.00		
Diversified Handloom Development Scheme	20.00		
Weaver Service centre	32.50	35	33
Handloom Weavers Comprehensive Welfare Scheme	105.00	65	55
Mill Gate Price Scheme	350.00	96.5	125
Scheme for grant of special rebate at the rate of ten percent on sale of accumulated Handloom stock		0.01	0.01
<i>Others</i>	30.00	32.99	37.5
Grand Total	2960.50	493.50	312.51
CHCDS - Handloom Mega Cluster		26	16
National Handloom Development Programme (State and UT Plan)			292
Grand Total			620.51

Observations:

1. Loan waiver package was a mere Rs.2,205 crores, even though prior to UP and other State elections, government has announced a Rs.6,800 crore package. At that time, we had observed that this package needs to be reconsidered, and also the allocation for such package is a mere 6 percent of the total annual turnover volume of handloom sector. Nevertheless, we welcomed such a package. However, the expenditure did not exceed Rs.291 crores. Various guidelines were issued and modified. NABARD was tasked with the disbursement. State level committees were formed, with officials. Yet, they could not reach the needy handloom weavers to relieve them of debt burden.

Debt burden on individual handloom weavers has been for multiple reasons over which they do not have any control or say. Cost of living has increased in the last fifteen years steadily, and tremendously over the last few years, generously aided by inflation and under regulation of basic food commodity prices. Cost of raw material, especially cotton and silk yarn have also gone up. Prices of yarn have been climbing continuously. Silk has been climbing rapidly in the last four

years. With competition, from cheap and fake handloom products, wearing them down, handloom weavers had no way to increase their incomes to respond to raising costs of living and raw material prices.

Further, the most critical component of their production, working capital flows are drying up from 'traditional sources' and institutional mechanisms. NABARD the only comparatively cheap source of finances for handloom sector has drastically reduced its exposure. With the result, handloom weavers were forced to find 'expensive', private sources of finances. Interest rates at this level usually are higher and are not regulated. Lack of awareness, exploitative conditions compounds the misery caused by high interest rates.

In this scenario, loan waiver was a necessity and a requirement. Governments have telescopically reduced their response in this regard. From a NABARD estimation to Planning Commission estimates to government allocations to actual disbursement, entire gamut of government machinery has failed handloom sector and handloom weavers.

In 2013-14, a paltry Rs.157 crores was allocated and in 2014-15, no allocation has been done for this critical support.

2. For the past few years, under the guidance of Planning Commission, government have been reducing the number of schemes in handloom sector, reportedly based on a NIMSME study report. I have not seen report yet. From 12 schemes, they were reduced to six, and in this year 2014-15, the schemes are four.

The declared motivation for reducing and grouping is to increase flexibility for the States, and Ministry, to respond to the needs. However, subsequent series of 'guidelines' reduced that flexibility and responsiveness. With set guidelines, reduction in schemes, implementation of schemes and disbursal of funds have come down to a trickle.

With this 'harakiri' of schemes and words, even expenditure seems to have taken a toll. With no allocation in 2011-12 and 2012-13, for Comprehensive Handloom Development Scheme, an expenditure of Rs.139 crores was incurred in 2012-13. There is allocation of Rs.107 crores in 2013-14, and no allocation this year. With such discontinuity, one would wonder how this scheme is helpful for the sector.

Market and Export Promotion Scheme was allotted Rs.40 crores in 2012-13, and the expenditure was Rs.41 crores. In 2011-12, expenditure was Rs.53 crores. Decrease in expenditure can be seen clearly. Past information shows that this scheme does not benefit handloom sector, because of structural problems in Handloom Export Promotion Council. for whatever reason, there is no allocation for this scheme in 2013-14 and 2014-15.

However, export data shows that handloom exports is hovering around Rs.2,600 crores per annum. In such a scenario, with scope for handloom exports, especially in South east countries, government targeted assistance would definitely support growth and subsequent boost for handloom production.

There is no allocation for diversified handloom development scheme in 2013-14 and 2014-15. There was a allocation of Rs.20 crores in 2012-13, which was revised to Rs.25 crores in the same year, but the expenditure was a mere Rs.16.68 crores. In 2011-12, expenditure touched Rs.12.37 crores.

A veritable relief in this depressing scenario is the continuous allocation to Weavers Service Centre and Mill gate price Schemes. against an allocation of Rs.32.50 crores for Weavers Service Centre, expenditure did reach Rs.30.31 crores – a little lesser than the allocation, as most of the times. Be that as it may, performance of Weaver Service Centre in the growth story of handloom sector is always under question. Since this is non-Plan allocation, I guess most of it is for salaries and other related aspects, than any initiatives for the handloom weavers.

Allocation for Handloom Weavers Comprehensive Welfare Scheme for 2014-15 is Rs.55 crores, down from Rs.105 crores in 2012-13. However, in relief from the regular downtrend in the expenditures, expenditure under the scheme in 2012-13 was Rs.127 crores, more than the allocation. The smile here might vanish if one delves deeper into the insurance schemes, budget releases to a few insurance companies, lack of ‘authentic’ beneficiary lists, woes of genuine handloom weavers in getting reimbursed and mismatch between number of handloom weavers in the country and the numbers who got insurance coverage. Welfare has been reduced to insurance coverage long back, no more and no less. I understand this year a new insurance scheme with better deliverables is being offered. Hopefully, the allocation of atleast Rs.55 crores should reach the needy handloom weavers.

3. A very good and welcome step is increasing the allocation for Mill Gate Price Scheme, from Rs.55 crores to Rs.350 crores in 2012-13. But this allocation was revised down to Rs.123 crores in November the same year, while the expenditure was Rs.122.91 crores. An average handloom weavers should still be happy because this expenditure is higher than the expenditure of Rs.54 crores in 2011-12. However, she/he did brace for lesser allocation of Rs.96.50 crores in 2013-14, and a higher allocation of Rs.125 crores for the current year.

Any allocation in this scheme would be a great relief for average handloom weaver who is at the receiving end of continuous rise of cotton and silk yarn prices. However, not many would know that the prices of cotton yarn are rising despite increase in production is because of rise in exports. Without even thinking of retaining for domestic consumption, exports are being allowed under open general licence.

Government is giving higher allocations with full knowledge of its cotton export policies. But this allocation is paltry, if one considers the volumes of cotton and silk yarn consumption by handloom sector in India. There is no official figure, but through extrapolation and estimation, handloom sector consumption of cotton in terms of value reaches atleast Rs.10,000 crores.

Hank Yarn Obligation and this allocation have not been able to insulate handloom weaver from price spikes, while the government machinery is mutely waiting for handloom sector to cope itself, under the guise of liberal policies. But, then comparatively, government has not stopped

subsidizing cotton exports and cotton yarn exports, benefitting exporters and spinners, under the ruse of supporting employment. The irony is obvious.

4. the “Scheme for grant of special rebate at the rate of ten percent on sale of accumulated Handloom stock” was withdrawn, but comes back to the budget sheet in 013-14 and this year, eventhough the allocation is a mere Rs.1 lakh. My knowledge of budgeting tells me that this allocation is only keep the ‘account’ alive. Funds might be expended, or not, depends on the Ministry later. However, the expenditure was nil in 2011-12 and 2012-13.
5. Interesting part is the allocation under “others”. One can notice that this is higher than some regular allocations. This is a non-Plan allocation. It gets Rs.37.50 crores for 2014-15, Rs.32.99 in 2013-14 and Rs.30 crores in 2012-13. Expenditure was Rs.19.86 crores in 2011-12 and Rs.25 crores in 2012-13. Frankly, I am not aware where these funds are expended. Definitely, there is flexibility here and I suppose no guidelines either.
6. The scheme of handloom mega clusters was allocated Rs.26 crores in 2013-14, Rs.16 crores in 2014-15. However, in his budget speech, in 2013-14, Finance Minister mentions Rs.40 crores for two mega clusters. The cluster scheme has been running without a proper direction, with more and more cluster additions based on political recommendations. without proper diagnostic studies, efforts were onto ‘standardise’ through rigid guidelines, without recourse to any scope for local responses to local problems, this scheme has been reduced to capital, consultancy, training and workshop expenditures. Handloom weavers, a small percentage of the cluster population, in this scheme do not get what they want, and lack any space for their opinions.
7. In this year, 2014-15, allocation for “National Handloom Development Programme”, under State and Union Territory Plan” is Rs.292 crores. The question is why such a separation has been done. I suppose this depends on the responsiveness and agility of the State governments and Union Territories to submit proposals and take the funds. It means these funds can be imaginary as well, given the dismal state of affairs in various States.
8. This Scheme also includes provision of Rs.50 Crore for Handloom Museum and Trade facilitation Centre in Varanasi. Pending clarification on whether this Centre would be supported by central funds or State funds, given the tenuous nature of relations between Uttar Pradesh and the central government, one would wonder at what pace the implementation would progress.

Overall, allocations are decreasing, revised later, expenditures are depressing and the administration remains nonchalant to the conditions of handloom weavers. Comparatively, allocations for other sub-segments of Indian textile industry which is automated, modernized, mechanized, is getting attention of government budget allocations, fully. The big question is, will

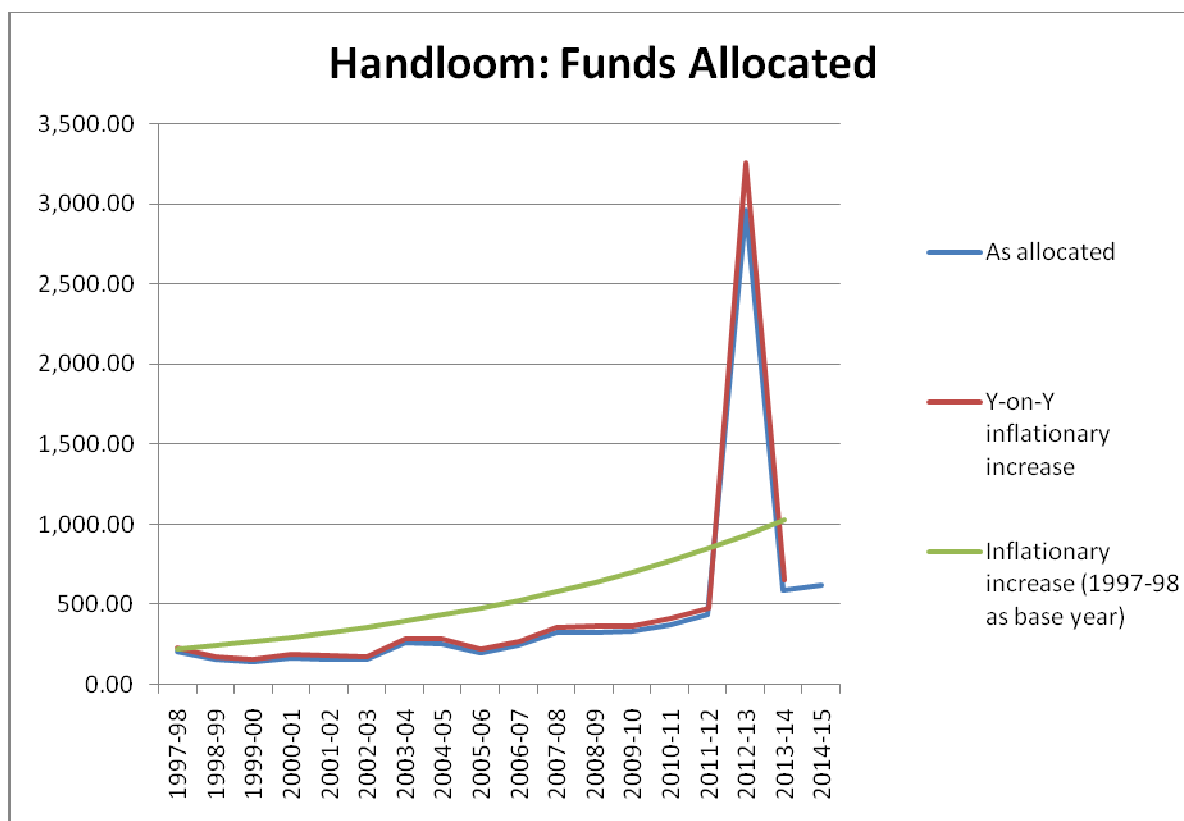
this budget increase the prospects of handloom sector? Will this bring succor to the economic conditions of handloom weavers?

Allocation trends

There is nothing to be elated about handloom allocations, before and also in 2014-15.

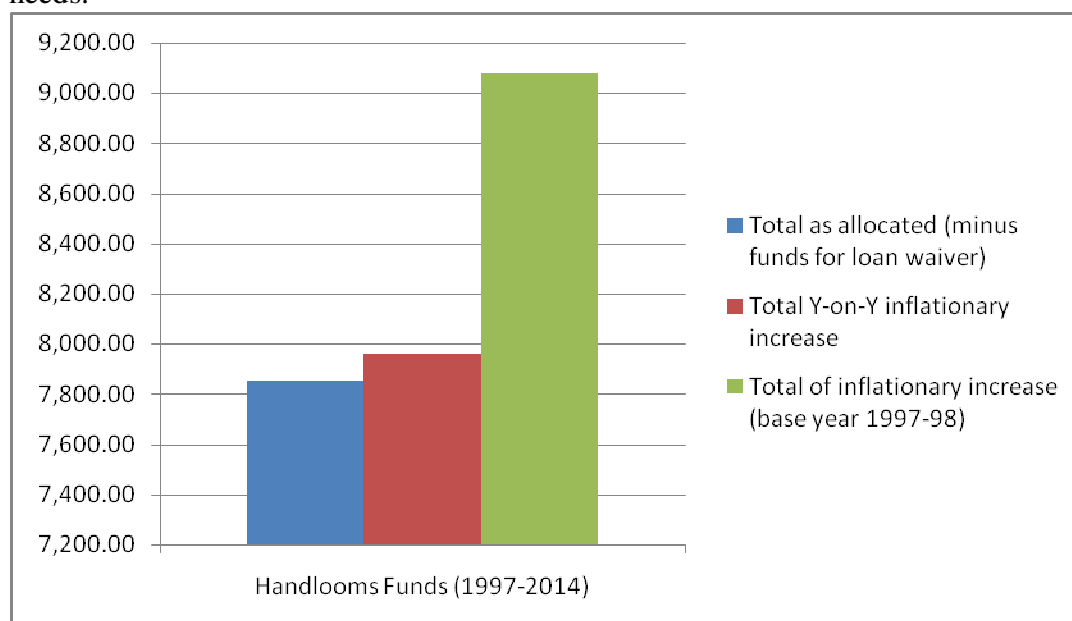
In 1997-98, handloom sector was allocated Rs.203.50 crores, which in the next year decreased to Rs.151.60 crores. In 1999-2000, this allocation reached a lowest of Rs.138.30 crores. In 2014-15, the allocation has reached Rs.620.51 crores.

However, between 1997-98 and 2014-15, over a 16-year period, it is obvious that handloom sector did not receive allocations based on the dire situation of handloom weavers. Be that as it may, handloom allocations have not increased even as per minimum 10% inflationary increase is quite worrisome.



As the above graph shows, actual allocations (in blue line) have always been below the year-on-year inflationary allocation is done for handloom sector. That is, if a mere 10% addition is done to the previous year allocation, actual allocation for most years is below that. On the other hand, taking 1997-98 allocation of Rs.203.50 crores as the base, and one keeps on adding 10% increase every year, handloom allocations should have been much higher year (as the third line suggests).

Continuing with the above, total allocations for handloom sector for the 18-year period is Rs.7,855.09 crores. If the loan waiver allocation for 2012-13 is removed, it would be Rs.5,655.99 crores. Similarly, totaling the year-on-year inflationary increase comes to Rs.7,958.04 crore. However, the total inflationary increase (with 1997-98 as base year) is Rs.9,075.93 crores. Thus, with or without loan waiver, allocations have not been commensurate even with the inflationary needs.



Conclusion

Problems for handloom sector in budgetary allocations stems out of the perspective of Union Textile Ministry, framed as they are in Planning Commission approaches and lobbying by anti-handloom sector groups. In general, Ministers for Textiles are from either Gujarat or Tamilnadu, which boosts the prospects for exporters, spinners and textile mill lobbying. Even Secretaries have been pro-modern textile industry lobby.

Advocates for handloom sector are divided, and do not represent themselves as a lobby in the corridors of Textile Ministry. Handloom weavers themselves are unorganized, and they have ceased to be a vote bank. For this reason, governments have been bold in denying higher allocations even in the elections years. At the same time, business lobby has become stronger and stronger. Handloom weavers are still hanging on, only because of their sacrifices.