Chapter II

ASSISTANCE TO HANDLOOM INDUSTRY—GOVERNMENT POLICY
ASSISTANCE TO HANDLOOM INDUSTRY—GOVERNMENT POLICY:

A brief survey of the Governmental assistance and Government policy towards the handloom industry will provide the right perspective for understanding the problems of the Handloom industry. As such the present chapter makes an attempt to examine the policy of the Government towards the handloom industry, in general and some of the important forms of assistance given to it in particular.

GOVERNMENT POLICY AND ASSISTANCE IN RETROSPECT—FROM NEGLIGENCE TO PROTECTION:

Government policy towards the handloom industry in India prior to Independence, amounted to purposeful negligence and incidental protection. The import duty on piece goods during the British rule, was intended primarily to protect the mills, and this intention was adequately fulfilled.

From 1896, the import duty on cotton piece goods was 3.5 percent ad valorem, but as there was a countervailing excise duty to offset this advantage, the duty had no protective effect to the Handloom industry. In 1917, as a War measure, the import duty on cotton piece goods was raised to 7.5 percent and coupled with the transport difficulties, this had a powerful protective effect. The position was further improved by the enhancement of the duty

1. The Fact Finding Committee Report, Govt. of India, P.13-1942.
to 11 percent in 1921 and 15 percent in 1930, and by the removal of the excise duty in 1926.

Between 1930 and 1931, the duty on British 'plain greys' was increased to 4.5 annas per Lb. At the same time, the duty on foreign plain greys was raised from 3.5 annas to 6.75 annas in 1933. By 1934, there was further classification and the duties on cotton piece goods imported from the United Kingdom stood at 4.5 annas, and on those imported from foreign Countries, at 5.25 annas. Thus within a short time, the Government of India raised a rather high tariff wall to protect the Indian Cotton Textile Industry, though it has been slightly lowered there after. Even then the Tariff still ranged from 12.25 percent to 15 percent on British piece goods, and 50 percent on foreign.

At the same time, an import duty on yarn was also imposed. In 1922, a duty of 5 percent ad valorem was levied and in 1927 a duty of 1.5 annas per Lb., was imposed as an alternative. The import duty was increased in 1931 to 6.25 percent per Lb. In 1934, the duty on British yarn of 50 Counts and below was lowered to 5 percent or 1.25 annas per Lb., on yarn of Counts above 50s; while British yarn paid 5 percent, other foreign yarn 6.25 percent. These duties were in operation till 31st March 1942.

It has been claimed by the Mill Owners' Association, Bombay in the memorandum submitted to the Fact Finding

* 16 annas = one Rupee.
Committee, that the protective measures adopted by the Central Government benefited the hand weaving industry equally along with the mill industry. The findings of the Fact Finding Committee did not support this conclusion. Judged by the test of protection, the effect of the Tariff Policy on the handloom industry had not been perceptible.

We may now examine the different aspects of the Tariff Policy and see how each of them affected the hand-weaving industry. The removal of the 3.5 percent excise duty in 1926 created an immediate handicap to the hand-weavers. Not that the hand-weaving industry had any overwhelming claim to the continuance of the excise duty, for it was not conceived as a measure of protection to the handloom and whatever benefit the handloom received was incidental. Nevertheless, it has to be admitted that while the mills got an immediate relief by the removal of this duty, the handlooms received a set back.

The import duties on cotton piece goods were primarily intended to protect the mills. But it does not appear that those benefits accrued to the handlooms. On the other hand, mills with the assistance provided, had greater ability to fight the handloom industry.

Nevertheless, the Handloom Industry also secured the benefit through the Tariff Policy of the Government. If the

1. The Fact Finding Committee Report-op.cit-p.13
mills had been strengthened for attack, the hand weaver had been strengthened at least for defence. Subsequent experience however has shown that the handloom industry has not been very much strengthened even for defense. Taking advantage of protection, the Indian mills have taken to fine weaving and dumped the markets with similar class of fine goods which were earlier produced by the handloom weavers alone. The duties thus strengthened the mills not only against the foreign mills but also against the indigenous handloom industry.

If the import duties on piece goods were of doubtful value, the duty on yarn placed a definite burden on handlooms, as they consumed the great bulk of the imported yarn. It was true that owing to exchange depreciation and other causes, yarn prices subsequently fell. The point to be noted is that the hand weaver had to buy his raw material at a higher price than he would otherwise have had to.

However as the imposition of this import duty came soon after the removal of the cotton excise duty, the hand weaving industry got an immediate set-back. The Indian mill section of the industry was in a better position to compete against the handloom industry which was definitely handicapped by the Tariff on yarn particularly that required for the production of cloth with finer yarn, (especially

2. Ibid p.14
3. Ibid.
of higher counts as a result of this protective policy). This helped the mills to compete with the handlooms more effectively, for it was with such yarn Indian mills could put into the market superior sarees which displaced the handloom products. However, it must be admitted that the protective duty on yarn strengthened the Indian Textile industry by decreasing its dependence on foreign yarn imports. As a result of the protective policy, Indian mills had increased their production of yarn, especially of higher Counts.\(^1\)

**MEASURES ADOPTED BY THE PROVINCIAL/STATE GOVERNMENTS:**

The non-availability of yarn of finer counts to the Handloom industry and the consequent serious condition of the weavers aroused the interest of the Government of India. Earlier, the handloom industry could not attract the attention of the Government of India to any great extent. Only the provincial Governments had been trying to help the industry as much as they could. The first concern of these Governments was the introduction of improved appliances, especially fly-shuttle sleyes\(^2\). The intention of the Government was to spread the new technique by imparting training in industrial schools. It was soon realised that the demonstration of improved appliances to the weavers' children in a few industrial schools, had salutary effect and therefore demonstration parties were organised for

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1. The Fact Finding Committee-ibid.P.22
serving the different areas one after another. Such efforts gained momentum after the reforms of 1919.

The then Government of Madras province maintained a Textile Institute in Madras and gave grants-in-aid to several weaving schools maintained by private bodies. In Bombay, nine weaving schools moved from one place to another imparting training and rectifying mistakes. In addition, eleven demonstration parties were also at work. In the United provinces (U.P), at first, there were peripatetic weaving schools, but these were abolished and model Schools were started in certain centres, with the charge of demonstration work also. Punjab had no regular touring parties, but improved methods were demonstrated at fairs and exhibitions. In Bihar and Orissa, a school and ten peripatetic parties were maintained. The Bengal Government, established 8 fixed weaving Schools and 26 peripatetic Schools.

Besides giving training in improved methods, some of the leading textile institutes also carried on research work in the various preparatory processes, weaving, dyeing and printing. Owing to such efforts, the use of fly-shuttle sleys, Dobbies, Jacquards and other improved appliances had increased. Demonstration was not confined to improved looms and preparatory processes only; special dyeing demonstration parties also were organised in Madras and Bombay.
The foregoing measures taken up by the Government did not help the hand-weavers very much in counteracting the forces working against them after 1930. Hitherto, the handloom industry had not attracted the attention of the Central Government to any considerable extent. It was only the provincial Governments which were trying to help the industry, but found they could not do anything effective by themselves. The problem had to be tackled on an all India basis. It would not be possible to prevent further deterioration in the condition of millions of handloom weavers without the cooperation of all provincial Governments and the Centre. The provincial Governments which earlier zealously guarded themselves against interference from the Centre, gradually realised the urgency of combined action. The Government of India also recognised that the handloom industry was hit by the import duty on yarn. Realising the problems, the Government made available a grant to the handloom industry equivalent to the proceeds of an import duty of 1.25 anna per pound on imported yarns up to 50 counts, since 1934-35. The grant which eventually amounted to Rs.5 lakhs annually, was distributed in the year 1934-35, and was utilised by the provinces for approved schemes. There was however no

1. The Fact Finding Committee Report-op.cit-p.22
2. Ibid p.23
3. Ibid P.24
uniformity between the provinces in regard to the mode of utilisation of funds and financing methods.  

In Madras, the grant was administered through the provincial handloom weavers' Society at Madras. The management of the Society vested in a Board of Directors with fifteen members, of whom the Registrar of Co-operative Societies, the Director of Industries and Commerce and the Principal of the Government Textile Institute were ex-officio members. It was first contemplated to make the Director of Industries and Commerce the administrative officer for the grant, but later the Control was transferred to the Registrar of Co-operative Societies. Members of the Staff of the Industries Department were always available for technical advice.

The provincial Society for the development of Handlooms was established in 1935 with an authorised capital of Rs.5 lakhs. The provincial Society had to arrange for the supply of yarn to the primary Societies from mills at wholesale prices on its own guarantee. Cash loans were also granted to the Societies for the purchase of yarn directly from the bazaar when such purchases were found more profitable. The provincial Societies also helped the Primary Societies by sending its expert designers, by maintaining several marketing officers and inspectors and by giving them marketing facilities at its sales emporia.

1. The fact finding committee, op-cit., p.184.
The estimates of the benefit derived from the grant in different provinces also varied widely. Considering the meagreness of the funds spent in Madras, the work must be regarded as a great success. The comparative success of Madras was due partly to the vitality of the Co-operative credit movement in that province and the spade-work done by the Weavers' Primary Societies in existence before the scheme was put into operation. Goods worth Rs. 40 lakhs had been marketed during the six years ending with 1940-41. The provincial Society of Madras complained about the competition that the new scheme had to face from 'Sowcar weavers' and 'mahajans'.

However, it was soon realised that financial aid, however generous, was not sufficient to remove the handicaps that were hampering the industry's progress. Therefore, a Fact-Finding Committee was appointed in 1941 to investigate the problems of the handloom industry, the types of production, the difficulties in getting yarn, marketing of finished products, the State of handloom technique, the lines on which the industry could be reorganised and the possibility of demarcating a special field for the handlooms etc.

2. Ibid-p.188.
3. Ibid-p.25.
* Sowcar weaver means master weaver who supplies necessary raw material to the weavers. Mahajans are the traders of the handloom goods.
The Fact-Finding Committee was of the opinion that both the mills and the handlooms have their place in the Indian economy and stressed the need for reconciling the interests of both. Further the Committee recommended the establishment of an Indian Handloom Industry Board as a Semi-public Corporation for Co-ordinating all the efforts made for the development of the handloom industry. The All India Handloom Board was set up in 1945 by the Government of India in response to the recommendation of the Committee.

GOVERNMENT POLICY AND ASSISTANCE AFTER INDEPENDENCE:

GOVERNMENT POLICY DURING THE PLAN PERIODS:

Steps were initiated immediately after the grant of Independence to India in 1947 to ameliorate the miserable condition of the handloom weavers.

FIRST FIVE YEAR PLAN (1951-56):

The First Five Year Plan fully recognised the employment potential of the Village and Small Scale Industries. For the first time an effort was made to understand the difficulties and problems in the development of these industries-from an all India angle and in an integrated manner. The First Five Year Plan was thus the starting point of economic resurgence of Village and Small Industries.

1. Ibid p.243.
2. Ibid.
Although the handloom industry was the largest industry next only to agriculture, strangely enough the planners had not provided adequate funds for the handloom industry in the first year of the First Five Year Plan. For the first time the Government of India realised the size and magnitude of the handloom industry and its important role in the National economy, during the great crisis of 1952, when there was migration of weavers' families in search of employment due to the unprecedented glut in textiles. Relief centers had to be opened by the State Governments. It also provided funds of the order of Rs. 4 crores every year under the Cess Fund Scheme to be administered by the Government of India under the advice of the All India Handloom Board. Under the Cess Fund Scheme programmes were accepted and implemented by the Government of India, such as, organisation of weavers into Co-operative Societies, financing of weavers' Cooperative Societies by way of share capital and working capital loans, rebate on the sale of handloom cloth, introduction of improved handlooms and appliances, marketing (both internal and external), encouraging the starting of Co-operative Spinning Mills etc.

Government assistance was canalised through the State Governments and a ceiling for assistance was fixed for each year in respect of each State. The ceiling was fixed on the basis of the state of the industry in each State. The amount sanctioned as well as the expenditure incurred during the years 1953-54 to 1955-56 were Rs.1,190
lakhs, Rs.1071.81 lakhs and 969.52 lakhs respectively\(^1\). Production of handloom cloth in the Country increased from about 810 million yards in 1950-51 to about 1,449 million yards in 1955-56 against the set target of 1700 million yards\(^2\).

With the introduction of the First Five Year Plan in 1950-51, the attention of the States came to be focused on Cooperation as a suitable organisation for undertaking programme of economic development in several fields. The setting up of All India Handloom Board is an example. The Handloom Board concentrated on developing the handloom industry on Co-operative lines. The objective of developing the industry on Co-operative basis has been renewed from plan to plan and may be considered the main plank in the development of the handloom industry\(^3\).

The First Five Year Plan was more or less concerned with taking the preparatory measures to rehabilitate and stabilise the industry at first and then to achieve its development. The policy in the First Five Year Plan was based on the promise that there should be a common production programme for the cotton textile industry as a whole. The essential points of this common programme were—that the supply of the basic raw materials should be assured, a sphere

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2. First Five Year Plan-Govt.of India-p.76
of production earmarked and Cess enforced on mill industry\textsuperscript{1}. The common production programme would necessarily imply a measure of control by the Government, especially over the organised large-scale industry\textsuperscript{2}.

In a nutshell, the Government Policy during the First Five Year plan was aimed at exercising control over the productive capacity of the mills with a view to minimising the area of competition from the large scale industry to the handloom industry and to give a wider scope to the later. Accordingly, granting of license for installation of additional looms in the composite mills was stopped\textsuperscript{3}.

\textbf{SECOND FIVE YEAR PLAN :}

The Industrial policy during the Second Five Year Plan was mainly based on the Industrial Policy Resolution of 1956 of the Government of India. Under this policy Small Scale and Village Industries were to be strongly patronised and given a crucial role in the basic strategy of the Second Five Year Plan, because, a comparatively small amount of capital in these industries could generate a great volume of employment and could also supply additional consumer goods for sale\textsuperscript{4}.

\begin{enumerate}
\item The First Five Year Plan-Ibid-p.331
\item Ibid-p.318.
\item Report of the Textile Enquiry Committee-Govt.of India-1954-p.7.
\item Mahalanobis, P.C (1955) 'The Approach of operational Research to Planning in India'-Sankhya-pp.3-130-16th Dec 1955.
\end{enumerate}
The programme for Village and Small Scale Industries envisaged during the Second Five-Year Plan and the problems connected with their implementation, had been reviewed by a committee-'The Village and Small Scale Industries Committee', which was appointed by the Planning Commission in June 1955. The Committee envisaged that even in the traditional village industries like handloom industry, to the extent immediately possible, technical improvements should be adopted, and for the future there should be a regular programme of gradual transition to better techniques. It also admitted that the concept of decentralised economy was not necessarily related to any given level of technique or mode of operation. What it implies is that technical improvements should be adopted, in such a manner and to such an extent so as to permit comparatively small units which are widely scattered throughout the Country. Obviously, the approach conforms to the recommendation of the Kanungo Committee for gradual conversion, in phases, of handlooms into semi-automatic powerlooms.

Thus during the Second Five Year Plan the Government of India decided to have 35,000 powerlooms installed under the scheme of conversion of handlooms into powerlooms. Against this set target, only 3,500-4,000 powerlooms could be installed during the Second Five Year Plan. To improve the technological efficiency of the handloom industry and to

1. Second Five Year Plan-1956-Govt.of India, New Delhi-p.432.
2. Third Five Year Plan-Planning Commission, Govt.of India, 1961-p.430.
provide necessary supervisory and skilled personnel required for the developmental schemes of the industry, all over the Country, the Government of India in 1956 established Weavers' Service Centers in the principal handloom centres. These Service Centers were intended to extend technical advice and assistance in the pre-loom, loom, and post-loom production processes. The Government of India in 1956 took over the Government Central Weaving Institute in Varanasi and the Textile Institute in Madras, (Later on shifted to Salem)¹ and began to run them as two All India Institutes of Handloom Technology - one to cater to the needs of Northern States and the other to the Southern States.

One of the objectives in the plan was that the industry should be enabled to stand on its own feet. Government help should be for a short time, until the base of the industry is strengthened. It envisaged that the cost of the scheme of protection afforded to village and small industries should be readily measurable and schemes of protection should be so planned that they could be withdrawn within a reasonable time². It was intended that the role of Subsidies, rebates on sales and sheltered markets should be progressively reduced and efforts should be directed more and more for improving the productivity of the worker through more positive forms of assistance.

The approach during the Second Five Year Plan period was that the handloom industry was to be organised more and more on Co-operative lines so as to enable the handloom weavers to secure the advantages of buying raw materials and selling the products on a large scale, and getting access to institutional credit and of utilising improved techniques of production. Keeping this in view, the weavers' Apex Co-operative Societies were set up in the States. The Reserve Bank of India scheme for financing the Weavers' Co-operative Societies was also launched during the Second Five Year Plan.

The handloom industry had to undergo a critical phrase during 1957 and 1958, when it had to encounter the grave slump created as a result of over-production due to avariciousness of the owners.

The Second Five-Year Plan outlay for the Handloom Industry was 55 crores out of total outlay of Rs.59.5 crores for the weaving industry. At the end of the Plan, handloom cloth production increased to about 1900 million yards per year against the target of about 2,100 million yards.

Thus the policy of the Government during the Second Five Year Plan was more on protective measures and

4. Third Five Year Plan-op.cit-p.43.
organising production and marketing on Co-operative lines, and gradual transformation of handlooms into powerlooms.

**THIRD FIVE YEAR PLAN:**

The Third Five Year Plan had kept the following objectives in view while formulating programme for Village and Small Scale Industries.

1. To improve the productivity of the worker and reduce production costs by placing relatively greater emphasis on positive forms of assistance such as improvement of skill, supply of technical advice, better equipment and credit etc.

2. To reduce progressively the role of subsidies, sale rebates and shelter markets.

3. To promote the growth of the industries in rural and small towns.

4. To promote the development of Small Scale Industries as ancillaries to large industries and

5. To organise artisans and craftsmen on Co-operative lines.¹

There was no change in the basic policy towards the handloom industry during the Third-Five year Plan period. However the principal aim of the handloom programme during the Third Plan period was to bring about further expansion of handloom production through fuller employment of the handloom weavers and the introduction of improved techniques². Emphasis was laid on revitalising the weak Co-operative Societies. As a part of the conversion of the handlooms into powerlooms on a Co-operative basis, it was

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¹ Govt.of India-Planning Commission(1961)-The Third Five Year Plan-Summary-pp.113-14.
² Ibid-p.430.
decided to install 90000-95000 powerlooms for which sanction had already been made during the Second Plan. The progress in this direction was very slow. It was claimed that effective steps had been taken to check the installation of powerlooms except by the handloom weavers' Co-operatives. In this plan, a higher priority was accorded to the supply of improved appliances, provision of facilities for processing and training, introduction of improved designs and purchase of yarn requirements increasingly from Co-operative Spinning Mills.

The expenditure incurred for the development of the handloom industry during the Third Plan period was Rs.25.37 crores. The production in the decentralised sector was 3,197 million meters in 1967. The progress of the handloom industry was encouraging during the first two years of the Third Plan, then slowed down for various reasons including the shortage of raw materials, following the hostilities of 1962 and 1965.

**ANNUAL PLANS (1966-69):**

The policy and pattern of assistance towards the handloom industry followed so far was continued during the Three Annual Plans also. During the three annual plans from

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1. The Third Five Year Plan-Summary, op-cit, p.439.
2. Ibid.
5. Ibid-p.218.
1966-69, expenditure incurred on handloom industry amounted to Rs.13.0 crores\(^1\).

FOURTH FIVE YEAR PLAN (1969-74):

The policy of positive assistance to the handloom sector and phased conversion of handlooms into powerlooms continued during the Fourth Five Year Plan. The objectives of the Small and Village Industries programme were:

"1. To improve progressively the production technique of small industries so as to enable them to produce quality goods and to bring them to a viable level.
2. To promote decentralisation and dispersal of industries.
3. To promote agro-based industries."

The Fourth Plan envisaged an outlay of Rs.27.1 crores for the States and Union Territories. The actual expenditure incurred was Rs.29.0 crores\(^3\). Under this plan efforts were made to obtain credit from the State Co-operative Banks for the handloom Co-operatives. Steps were taken to arrange regular supply of yarn and other essential raw materials at reasonable rates. Training in improved appliances and enforcing effectively the restrictions on production of special varieties of cloth were reserved exclusively for the handloom sector. The value of handloom exports was estimated to increase from about Rs.8.2 crores in 1968 to about Rs.15 crores by 1973-74. Most of the objectives of

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2. Govt. of India-Planning Commission(1971)-Fifth Five Year Plan-P.218.
this plan could not be fully achieved due largely to the rapid growth of unorganised powerlooms, shortage of yarn, inadequacy of credit facilities, high percentage of dormancy among handloom weavers societies and marketing difficulties.1

Production of cloth in the decentralised sector was expected to increase to 4,250 million meters in 1973-74 from about 32,350 million meters at the beginning of the Fourth Plan2. Against this target the actual production in 1972-73 was 3,830 million meters. In 1973-74 production of cloth in handloom sector was 2,132 million meters3.

At the end of the Fourth Five Year Plan the Ministry of Commerce on 29th Dec, 1973, constituted a High-power Study Team, under the Chairmanship of B.Sivaraman, to make an in-depth study of the problems of the handloom industry in order to suggest a programme for its development in the Fifth Five Year Plan. The report was submitted to the Government in July 1974. The important recommendations of the Committee were as under.

REPORT OF THE HIGH POWERED STUDY TEAM ON THE PROBLEMS OF THE HAND LOOM INDUSTRY:

The study team had started the work with the following objectives.

1. To suggest programmes for development of the handloom industry in the Fifth Plan.

2. To suggest measures for the maximum utilisation of the export potential of the Handloom industry.

3. To suggest measures for building infrastructure and providing adequate inputs, particularly finance to the handloom sector.

4. To review the position regarding reservation and to suggest changes in policy, if necessary.

The High power Study team made an intensive study of the Handloom Industry and made the following recommendations for their implementation in the Fifth Five Year Plan.

1. The All India Handloom Board Should be activised and converted into a Statutory Board.

2. A separate directorate for handlooms should be created in the Ministry exclusively to look after the problems of this Society.

3. A separate body should be created in the form of an All India Handloom Research and Design association for drawing up and implementing effectively a programme of research and development in the handloom industry.

4. A programme should be drawn up for the training of weavers, especially for imparting to them technical and managerial expertise.

5. At least 60 percent of handloom weavers should be brought into the Co-operative fold by the end of the Fifth Plan period.

6. For the effective development of handlooms outside the Co-operative fold, an intensive development scheme should be drawn up. Units of 5000 to 10,000 handlooms each in compact geographical area should be taken under this scheme. Not more than 25 such units should be taken up during the Fifth Plan period.

7. The management of the Technological Institutions and the Weavers' Service Centers should be entrusted to a separate body designated as the All India Handloom Research and Design Development Association.

8. The production and adequate supply of yarn to the handloom sector is a basic requirement. The Fifth Plan programmes should be directed towards substantially augmenting the production of yarn, especially hank yarn.

9. The establishment of Co-operative Spinning Mills should receive particular emphasis with a view to meeting the yarn requirements of the handloom sector especially the Co-operative sector, adequately. The yarn availability of Mills managed by government should be linked reasonably with the requirements of handlooms outside the Co-operative sector.

10. Financial arrangements should be made with Industrial Finance Corporation and other agencies to ensure funds required for investment in these Mills.

11. Arrangements for adequate and timely supply of other input such as dyes and chemicals should be made.

12. Schemes for modernising handlooms in the States should be taken up as Centrally sponsored scheme.

13. Processing facilities should be developed in the Centrally sponsored schemes and should be linked up with the marketing organisations being developed either through Apex Co-operatives or Corporations set up by the States so that there is an effective link production, processing and marketing.

14. In cases where the Central Bank is weak and unable to obtain finance, direct financing from the Apex Bank should be arranged.

15. The norms set by the Reserve Bank of India are not exclusively strict. The Co-operative Societies should observe the financial discipline laid down by the Reserve Bank and improve their own operating efficiency within the framework of the RBI schemes.

16. The limits laid under the RBI scheme may be revised upward in view of the rising cost of production.

17. Nationalised Banks should be persuaded to finance handloom weavers.

18. The Reserve Bank of India should follow the policy of making the credit to the handloom Co-operatives effective and for this purpose, should bring in various methods which have been inducted in the field of agricultural credit.
19. The supply of yarn and arranging for the marketing of produce in the area covered under the intensive programme should be the main lines of activity of the handloom financing and Trading Corporations. They should obtain ways and means of credit from Scheduled Banks, outside the plan frame, for their trading operations.

20. The Apex Societies must take responsibility for the supply of yarn for a reasonable percentage of weavers' requirement and arrange to market at least 50 percent of the production of the Primary Weavers' Societies.

21. The State owned corporations/Emporia should deal with the marketing of the produce of the individual weavers.

22. Apex Societies and State Corporations should be given a subsidy for putting up their show rooms. A managerial subsidy should also be given for a period of three years on a tapering basis. The expenditure should be shared by the Centre and the States.

23. The Rebate subsidy may be phased out over a period of three years by tapering it off annually.

24. A common facility Service Center equipped with improved machinery, may be provided for an area covering 500 to 600 looms engaged in export orders.

25. Research should be undertaken and facilities should be developed for post-loom processes, like pre-shrinking finishing etc.

26. The problem of getting a large number of experienced cutters, designers and production managers should be examined and a suitable training scheme formulated for their training in the latest techniques.

27. It is necessary to develop, under an export oriented project scheme, 50 production units in important handloom centres in the Country which are now contributing to the export market which have highly qualified handloom weavers. Supplies of yarn, Credit and Marketing or production should be arranged by each centre. Funds for modernising equipment pre-loom processing and post-weaving, finishing facilities and for training of weavers should also be arranged by the Centre.

28. The handloom industry needs special protection, as the handloom programme is one of the most important programmes for raising minimum consumption level of the lowest three deciles of the population, besides being the extremely important means of rural employment, providing a living wage.
29. Powerlooms which have taken advantage of their favored position in the excise-structure, should be brought on par with the organised mill industry and excise duties on powerloom cloth should be suitably revised and a Tax structure evolved which will act equitably and in favour of the handloom sector.

30. Additional revenue realised from additional duties on powerlooms should be utilised for the development of the handloom sector.

31. The system of 'Tex mark' for powerloom cloth should be re-introduced.

Almost all the recommendations of the Sivaraman Committee Report, were accepted by the Government and implemented with immediate effect. For example the Office of the Development Commissioner for Handlooms was created. This office under the Ministry of Commerce, serves as the focal point for handloom development in the Country. In accordance with the recommendations of Sivaraman Committee, by 1980-81 a network of 18 State Handloom Development Corporations had come up. Steps had been taken to bring more looms under Co-operative fold.

FIFTH FIVE YEAR PLAN:

The recommendations of the 'High power Study Team' on the problems of Handlooms were accepted by the Government and were incorporated in the development programme for handlooms in the Fifth Five Year Plan. The plan emphasised the need for positive and promotional assistance to the handloom sector. Stress was laid on improving the technique of production and intensive development of handlooms. A number of schemes have been formulated for the development of the handloom sector.
The plan envisaged to strengthen the Co-operatives in order to reduce dependence of the weavers on Master Weavers and money lenders. It was proposed to establish new Institutions of Technology and Service Centres, designs research and extension services and the promotion of exports and domestic sales. It was also proposed to resume quantities of yarn of the categories and varieties required by handloom weavers and for arranging their supply at reasonable prices\(^1\).

By March 1980 about 25 intensive handloom Development Projects (IHDPS) with a coverage of little more than 1 lakh handlooms and 21 Export-oriented production projects (EPPS) with a coverage of about 10000 looms had been set up. But performance of these projects had not been uniformly satisfactory because of poor coverage of loom, low productivity of weavers, static product mix and inadequate institutional finance and marketing support\(^2\). Another important Scheme in the handloom sector introduced during the Fifth Plan period was the production and distribution of Janata Cloth, a counter part of controlled cloth, of the Mill Sector. The scheme was started in October, 1976 and the production of such fabrics went up from a level of about 8 million square meters in 1976-77 to about 287 million square meters in 1980-81\(^3\). The scheme involved

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1. Fifth Five year Plan (1975), Govt. of India-Planning Commission-pp.67-68.
2. Sixth Five Year Plan (1978), Govt. of India-Planning Commission; p.197.
payment of subsidy at the rate of Rs.1.50 per square meter. It was hoped that by implementing the scheme a substantial dent could be made on the under-employment of weavers, apart from the opening up of new employment opportunities.

The Janata Cloth Scheme was, no doubt, beneficial to the consumers, especially those belonging to the weaker sections of society, as they got cloth at cheap prices. But it was not advantageous to the skilled weavers, as weaving of Janata Cloth required less amount of skill. The real purpose behind the introduction of the scheme was to save the mills from the losses. The mills were obligated since 1948 to produce and pack the stipulated minimum quantity of Controlled cloth required for mass consumption, and any contravention was punishable under the Essential Commodities Act. The mill sector was considering this as a burden and as a major factor contributing to its sickness. The mills were given the option in 1968 to pay compensation in respect of deficiency in production of controlled cloth. Most of the mills preferred paying the compensation rather than producing controlled cloth. Consequently the production of Controlled cloth declined substantially. Ultimately under the scheme of Janata cloth production, the burden of producing coarse cloth was shifted from the mills to the

1. Eastern Economist-Editorial-A big hand for handlooms-71(2) 14th July 1978-p.66
handlooms in the name of creating employment in the handloom sector\(^1\).

Low priced cloth of Coarse varieties was produced under the scheme. From the long term point of view, nothing could be more disastrous to the handloom industry than wasting the skill of the weavers on producing fabrics that require low level of skill. During the field survey it was noticed that many weavers were weaving Janata Cloth for Co-operatives, only as an obligation. Many weavers preferred to weave other varieties of cloth for the Sowcar weavers\(^*\), as the piece-rate wages for weaving Janata cloth with yarn of lower counts were lower than those of for weaving fabrics with higher Counts of yarn, especially with intricate designs. Only less skilled weavers benefited under this scheme. They take up weaving of Janata cloth, otherwise they may remain unemployed or underemployed.

The Fifth Five Year Plan expenditure in the public sector for the handloom industry was Rs.99.92 crores\(^2\). The share of the handloom industry in cloth production was kept at 3,000 million meters out of the total target of 10,000 million meters of cotton cloth\(^3\). Against this target, the

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2. Seventh Five Year Plan (1981)-Planning Commission-Govt.of India P.190.

* Sowcar weavers are those who deal in the trade of handloom cloth.
actual production in handloom sector in 1978-79 was about 2,720 million meters$^1$.

SIXTH FIVE YEAR PLAN (1980-85):

There has been no major change in the approach towards the handloom industry in the Sixth Five Year Plan from that of earlier ones. The major strategy adopted during the VI plan period for the development of the handloom sector was to promote the organisation of Weavers' Co-operatives. In order to provide a nonexploitative organisational infrastructure to handloom weavers for production and marketing activities, a number of programmes and schemes were devised to promote Co-operativisation$^2$.

The Sixth Five Year Plan emphasised the importance of promotional and protective assistance to the handloom industry to bring about a faster rate of growth in the villages. Promotion of village and Small Scale Industries continued to be an important element in the National development strategy particularly because of their favourable capital output ratio and high labour intensity$^3$. It was envisaged that during the Sixth Five Year Plan period the major thrust of the programme was on augmenting the supply of hank yarn to weavers through the setting up of

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1. Basic Statistics of Handlooms-op.cit-p.5
2. VIII Plan report of the Sub-Group of Handlooms-Development commissioner for Handlooms, Ministry of Textiles, Govt.of India,Feb,1989-p.30
additional spinning capacity, setting up of a National Development Corporation to facilitate, inter alia, the supply of hank yarn and other inputs at reasonable prices. It was also proposed to bring 60 percent of the handlooms under effective Co-operative coverage and to increase productivity through modernisation and renovation of looms. Another important emphasis of the plan was to strengthen the technical extension systems for improving the quality and design of handloom products and reservation of looms in the North-East\(^1\). Accordingly, the National Handloom Development Corporation was set up in 1982. The plan also aimed at integration of the promotional programmes in the VSI (Village and Small Scale Industries) sector with the other area development programmes and adoption of a cluster approach for the traditional industries\(^2\).

The 'National Bank for Agriculture and Rural Development' (NABARD) was set up in July 1982 to achieve effective implementation of the concept of Integrated Rural Development as envisaged in the Sixth-Five Year Plan. Further, a new institute of Handloom Technology was set up in 1982 in Gauhati to help produce diversified and commercial production of handloom cloth.

In keeping with the emphasis on development of handloom during the Sixth Plan, its production was expected

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2. Ibid-p.197.
to increase from 2,900 million meters in 1979-80 to 4,100 million meters (including 500 million meters of Janata cloth) in 1984-85 with a growth rate of 7.2 percent per annum as against 5.2 percent during 1974-80. The Sixth Plan outlay in the Public Sector for the handloom industry was Rs.310.93 crores.

SEVENTH FIVE YEAR PLAN (1985-90):

The strategy for the Seventh Five Year Plan for the development of the handloom sector drew its strength from the 'New Textile policy' announced in June, 1985. The Seventh Five year plan document admitted that the targets set for the Sixth Five Year Plan in terms of production, employment and exports could not be achieved. The estimated production in the handloom sector went up from 2900 million meters in 1979-80 to 3,600 million meters in 1984-85. During the same period, employment in the handloom sector increased from 61.50 lakh persons to 74.66 lakh persons. The per capita production of handloom cloth also increased from 471.5 Mtrs to 481.9 Mtrs during this period. The exports of handloom products in value terms went up from Rs.290.41 crores in 1979-80 to Rs.348.86 crores in 1984-85.

The target for production of handloom cloth was placed at 4,600 million meters and additional employment

2. Ibid-p.190.
to be generated was estimated at 23.47 lakh persons for the Seventh Five Year Plan. Exports of handloom products were to increase from Rs.348.86 crores to 485 crores\(^1\). The Seventh Five Year Plan outlay in the public sector for the handloom industry was Rs. 512.26 crores\(^2\).

**HANDLOOMS AND TEXTILE POLICY (1985):**

The major thrust of the new Textile policy announced on 6.6.85 was to focus mainly on sickness of the mill industry. All other things are residual\(^3\). The following are the highlights of the Textile Policy of 1985.

"I. The Textile Industry shall be viewed in terms of the stages of its manufacturing process, namely Spinning, Weaving and Processing.

II. The industry shall be provided with fuller flexibility in the use of various fibres.

III. The industry shall be subject to more pragmatic policies regarding creation or contraction of capacities by units in order to increase competition and promote healthy growth in the Industry."

In order to preserve the unique role of handlooms and enable them to realise their full potential as also to ensure higher earnings for the handloom weavers, the following steps were incorporated in the Textile Policy 1985.

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1. Ibid-p.107
2. Ibid-p.104
4. Financial Express-7th June 1985-p.8
1. Development of handlooms through Co-operatives and Corporations were intensified.

2. Greater emphasis was placed on the modernisation looms and provision of technological and other inputs for improving productivity of handlooms and the quality and finish of handloom products.

3. Special efforts are to be made to ensure adequate availability of yarn and other raw materials to the handloom sector.

4. The production of mixed and blended fabrics on handlooms are to be encouraged with a view to improve the wages and earning of the weavers.

5. Protection to handlooms is to be provided by reserving articles for their exclusive production in the handloom sector under the 'Handloom Reservation of articles for Production Act 1985.' The provisions of this Act shall be strictly enforced and the machinery for doing so shall be suitably strengthened.

6. To improve the competitiveness of handlooms steps should be taken to remove, as far as possible, the cost handicap of the handlooms vis-a-vis the powerlooms by suitable financial measures.

7. To improve the marketing of handloom products, infrastructure of marketing complexes, training of marketing personnel and intensive publicity should be organised. Steps should be taken to upgrade the technical, managerial and administrative skills of personnel employed in the handloom sector.

8. To strengthen the data base for the handloom sector for better planning and execution of handlooms development programmes, a census of handlooms should be strengthened.

9. The responsibility for the entire production of controlled cloth should be transferred to the handloom sector by the end of the Seventh Plan.

The Textile Policy 1985 was in a way the logical culmination of the processes initiated during the last decade¹. Protection for handlooms against unequal

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competition from Mills and powerlooms has hitherto been the corner stone of the Textile policy. The survival of handlooms depends on Reservation Policy\textsuperscript{1}.

The Textile Policy 1985 seems to have knocked out any possibility of saving the handloom industry with all its significance for rural employment\textsuperscript{2}. The New Textile Policy expected the handloom industry to depend on its own muscle power to chase away the killers-powerlooms and Mill industries.

With the introduction of the Textile Policy 1985 all capacity restrictions were withdrawn on Mills and powerlooms but all conceivable financial, fiscal and other assistance has been offered to enable them to occupy the market rapidly leaving little space for the handlooms except for some controlled crumbs.

The Textile Policy of 1985 aimed at an increasing the production of cloth to make it available at cheaper rate for the masses. The main objective of 'New Textile Policy' is to increase the production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of a growing population\textsuperscript{3}. Controlled cloth scheme was in

\begin{flushleft}
\end{flushleft}
operation for more than two decades earlier. It was mainly intended to meet clothing needs of the poor. Until June 1985 National Textile Corporation Mills and handlooms shared the responsibility of the production of Controlled cloth. In 1979 the statutory obligation of Mills to produce controlled cloth was discontinued. Under the Textile Policy 1985, the entire responsibility of the production of controlled cloth was to be eventually transferred to the handloom sector by the end of the Seventh Five Year Plan. The object of producing cheap cloth for the masses is undoubtedly laudable, but the manner in which the scheme was operating did not help in achieving the objective. The policy of eventually shifting the entire production of controlled cloth on the handloom sector is patently a wrong policy to follow, whatever the argument of providing assured market for handlooms. It is not clear why handlooms should at all undertake the production of such low value controlled cloth on no profit no loss basis.

The objective of the Textile Policy of 1985 treating powerlooms and Mills on par had worked against the interests of handlooms. What was wrong with the 1985 Textile policy was not the policy but its deliberate violation by private-profit seekers and Government's own political and administrative elite and enforcement
machinery. Instead of removing the thorn the 1985 textile policy has done away with the body itself.

With the Textile Policy of 1985, the entire responsibility of producing Janata Cloth thus was shifted to the handlooms. The scope for even accidental survival of handlooms has been diminished by the whole sale sickness transferred on their shoulders in the form of 'responsibility for production of Controlled cloth'-an activity which it is claimed made the healthy mills sickened sick mills sicker. The handloom weavers were forced to work below capacity; as they are asked to produce cheap variety of cloth. The production of cheaper cloth does not help the weavers since wages are lower for coarser varieties. Given the pattern of demand for textiles and product mix in the Mill and Powerloom sectors, handlooms, if they were to produce controlled cloth, have to depend entirely upon the patronage and subsidy of the Government, without any hope of improving their competitive strength. The handloom weavers have to work in a declining branch of the oldest manufacturing industry at subsistence wages. It was feared that the 1985 Textile Policy would make a large number of weavers unemployed or

under employed. At least a million persons-men and women-in the handloom industry would be thrown out of employment in less than five years. Most of the displaced would be in remote rural areas which have no power and no alternative employment opportunities. Under this New Policy, employment in even the mill sector will shrink significantly, as hi-tech automatic machines will be utilised to step up cloth output in the machine sectors with 'soft loans' to be liberally supplied by the Government.

Thus the experts on the Handloom Industry made a big hue and cry to restructure the 1985 Textile Policy for the benefit of the handloom industry.

OBJECTIVES AND STRATEGIES IN THE VIII FIVE YEAR PLAN:

As a part of the working group on Textile Industry, constituted in the context of the preparation of the VIII Plan, it was decided to set up a Sub-Group to formulate an approach for the development of the Handloom sector during the VIII Plan. The sub-group was accordingly set up on 21-12-1988, under the chairmanship of Shri V.K.Agnihotri, Development Commissioner for Handlooms, New Delhi.

As envisaged by the sub-group the broad objectives of planning for the handloom sector during VIII Plan are:

1. To sustain and create avenues of employment in the handloom sector.

2. To improve the Socio-economic status of handloom weaver.

3. To improve productivity, quality and cost competitiveness of handloom products and

4. To preserve the unique role of the handlooms in the Country's development efforts.

While the broad objectives of planning for the handloom sector remained the same for the VIII plan, the sub group in the light of the National Handloom Census data and its analysis by IRMA\(^1\) recommended changes in the strategies for achieving these objectives.

The Sub-group is of the view that in the operationalisation of the strategy for development of handloom sector during the VIII Plan, the following should be the guiding principles:

1. There should be a flexibility of approach in providing assistance to handlooms both in terms of schemes and in terms of interventionist organisation.

2. Identification of low earners, medium earners and high earners should be made with reference to fabric types and their constructions.

3. Reservation of products for exclusive production on Handlooms must continue. At the same time, reservation must be supplemented by stimulating the development, production and marketing of designs and constructions which have a comparative advantage for handloom vis-a-vis powerlooms.

\(^1\) IRMA-Institute of Rural Management, Anannd.
4. Fiscal concessions for the handloom sector must continue to bridge the cost handicap.

5. Given the strategy of beneficiary weaver being the centre piece for State assistance, the management information system should have built-in provisions for monitoring production details (fabric and construction types) and the earning of the beneficiary weaver. Concurrent beneficiary evaluation and periodic sample surveys are to be conducted for constant analysis and course corrections.

6. Products of high earners should be marketed at high levels of efficiency and surpluses of high value products should be used to cross-subsidise products of low-earning weavers.

7. As the marketing infrastructure of the State organisations in the rural areas is weak, there is need for the State agencies to tie up distribution, particularly of low value items, with the private sector, while intensifying their marketing effort for the medium and high value items in domestic urban and International Markets.

8. There is need for induction of a new breach of professional managers in interventionist organisations who would be effective in business entrepreneurship as well.

The Sub-group was convinced that the strategies as discussed earlier would stimulate production in the handloom sector so as to reach the targeted level of approximately 30 percent of total textile production in the Country during the VIII plan period. Employment generation in this sector is also expected to increase. On the basis of census data, employment generation in the handloom sector during 1987-88 was of the order of 627 million man-days. It is estimated that employment generation will reach a level of

869 million man-days by the terminal year of the VIII Plan period. The production, employment and export targets are as given under.

**TARGET OF PRODUCTION OF HANDLOOM CLOTH DURING VIII PLAN:**

Assuming a 5% annual growth rate for handloom cloth production during VIII Plan, the Sub-group recommended the following target (Table No:2.1) for the production of handloom cloth during the VIII Plan period.

**TABLE 2.1**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cotton</th>
<th>Blends</th>
<th>100% Non Cotton</th>
<th>Silk</th>
<th>Wool</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>3875</td>
<td>50</td>
<td>500</td>
<td>150</td>
<td>125</td>
<td>4700</td>
</tr>
<tr>
<td>1991-92</td>
<td>4075</td>
<td>60</td>
<td>520</td>
<td>165</td>
<td>130</td>
<td>4950</td>
</tr>
<tr>
<td>1992-93</td>
<td>4250</td>
<td>75</td>
<td>550</td>
<td>185</td>
<td>140</td>
<td>5200</td>
</tr>
<tr>
<td>1993-94</td>
<td>4435</td>
<td>90</td>
<td>575</td>
<td>205</td>
<td>145</td>
<td>5450</td>
</tr>
<tr>
<td>1994-95</td>
<td>4665</td>
<td>100</td>
<td>600</td>
<td>230</td>
<td>155</td>
<td>5750</td>
</tr>
</tbody>
</table>


**YARN REQUIREMENTS:**

The requirement of yarn based on the production targets are shown in Table 2.2.

**ANTICIPATED EXPORTS DURING VIII PLAN:**

Indian Handloom industry produces a wide range of exquisite products. India's handloom products have been
among the best known commodities exported to Asian and European Countries since ancient times.

**TABLE 2.2**

REQUIREMENT OF YARN SUPPLIES DURING VIII FIVE YEAR PLAN  
(In million Kgs)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cotton</th>
<th>Viscose Spun/ filament</th>
<th>Polyester Spun/ filament</th>
<th>Silk Wool</th>
<th>Other man made fiber</th>
<th>Total yarn</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>338</td>
<td>21.6</td>
<td>12.1</td>
<td>8.8</td>
<td>20.8</td>
<td>18.7</td>
</tr>
<tr>
<td>1991-92</td>
<td>408</td>
<td>22.8</td>
<td>12.7</td>
<td>9.8</td>
<td>21.7</td>
<td>19.7</td>
</tr>
<tr>
<td>1992-93</td>
<td>425</td>
<td>24.4</td>
<td>13.7</td>
<td>10.8</td>
<td>23.3</td>
<td>21.3</td>
</tr>
<tr>
<td>1993-94</td>
<td>444</td>
<td>26.1</td>
<td>14.6</td>
<td>12.0</td>
<td>24.2</td>
<td>22.6</td>
</tr>
<tr>
<td>1994-95</td>
<td>467</td>
<td>27.4</td>
<td>15.4</td>
<td>13.5</td>
<td>25.8</td>
<td>23.8</td>
</tr>
</tbody>
</table>


Exports of handloom products have shown a remarkable growth during the past few years. These have increased from Rs.256 million ($32 million) in 1970-71 to about Rs.3646 million ($371 million) in 1981-82. The estimates for 1987-88 was Rs.5162 million. In order to substantially improve the level of handloom exports, the production and the processing plan of Handloom cloth need a major thrust. The target for export of Handloom cloth for the VIII Plan are given in Table 2.3.

2. Ibid-p.87.
TABLE 2.3
TARGET FOR EXPORTS DURING VIII PLAN

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (In million Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-91</td>
<td>6940</td>
</tr>
<tr>
<td>1991-92</td>
<td>7950</td>
</tr>
<tr>
<td>1992-93</td>
<td>9130</td>
</tr>
<tr>
<td>1993-94</td>
<td>10540</td>
</tr>
<tr>
<td>1994-95</td>
<td>12050</td>
</tr>
</tbody>
</table>


IMPORTANT SPECIFIC MEASURES FOR THE DEVELOPMENT OF HANDLOOM INDUSTRY:

1. THE ALL INDIA HANDLOOM BOARD:

   The Thomas Committee, also known as 'The Fact Finding Committee, appointed by the Government of India in 1941 was historically the first Committee to study the state of affairs of weavers extensively and it made very valuable recommendations for the development of handloom sector. Based on the recommendations of the Committee the first 'All India Handloom Board' was constituted in 1945. The functions of the Board were confined largely to the question of supplying raw materials to handloom weavers, the method of marketing handloom fabrics and the administration of grants-in-aid. However, nothing could
be done beyond the stage of recommending various steps for the improvement of the industry\(^1\).

Nonetheless, it should be admitted that a real practice oriented and concrete programme of action for setting the handloom industry on sound economic footing was made with the reconstitution of the Second 'All India Handloom Board' in October, 1952, since then several schemes have been implemented for the growth of the handloom sector in the Country though confined mostly to weavers working in Co-operatives. The Board was entrusted with the functions of the handloom industry, to examine the schemes for the improvement and development of the industry and to make their recommendations for assistance from the Handloom Fund\(^2\).

The All India Handloom Board till 1958 was directly responsible for formulating the State Plan Schemes for the development of the handloom industry, after discussion with the concerned State Governments, for scrutinising and sanctioning individual schemes and for watching and reviewing their implementation by the States. The position however, underwent a radical change since 1958 with the new procedure for the release of Central assistance for State Plan Schemes.

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2. All India Handloom Board-First Annual Report, Bombay, Ministry of Commerce and Industry, Govt. of India, 1954-p.2
It was proposed in the revised procedure formulated by the Planning Commission that the schemes for handloom development which were continuous in nature, should be sanctioned by the State Governments under their normal procedure and that no financial sanctions as such would be issued from the Centre. The State Governments had to obtain the technical approval of the All India Handloom Board in respect of the new schemes.

Keeping in view the important role played by the All India Handloom Board, the High power Study Team recommended that the Board should be constituted as a statutory body with adequate financial resources and powers to formulate and implement the schemes for the development of Handloom industry. The Sivaraman Committee recommended that the handloom Board should once again be brought back to its premier position as the eyes and ears of the Government of India in the matter of Handloom development. The Central sector financing should be with the advice of the body. The Board should be provided with adequate financial resources and powers to formulate and implement the schemes for the development of Handloom industry. The All India Handloom Board was reconstituted in 1978, in response to

the recommendation, as the highest advisory body to the Government of India in Handloom matters.¹

**RESERVATION OF FIELDS OF PRODUCTION:**

Consistent with the objective of providing adequate protection to the handloom sector, the growth of the powerloom sector has been regulated and monitored within the framework of a Reservation Policy.² The Handloom Committee (1949) of the All India Cottage Industries Board recommended that a suitable field of production should be exclusively reserved for the handloom industry. The committee while recommending this, recognised that such reservation should not affect Mill production for export nor should it operate to the disadvantage of the poor classes.

It is well known that the handloom industry would never be able to market its cloth at a competitive price as compared to that of Mill-made cloth. This criticism can be justified from the fact that the handloom industry is still craving for protection even after three decades of planning.³ It was feared at the same time that

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the consumer would have to pay a higher price if he is forced to take his requirements of certain varieties of cloth solely coming out of the handloom industry. In spite of it, the Government of India decided to reserve certain varieties of cloth production to the handloom sector and prohibited Mills and Powerloom factories from producing those varieties after First July 1950. Powerloom establishments with four looms or less working on cottage industry basis and not coming with in the scope of Factories Act, 1948; are exempted from the operation of these restrictions.

Effective steps to reserve certain products for the Handloom Industry were taken even in 1985. The Government of India have enacted the Handloom (Reservation of Articles for Production) Act, 1985 to protect the interests of the handloom industry. The said Act came into force with effect from 31st March 1986. The main objective of the Act is to reserve certain fabrics for exclusive production on handlooms and leave the rest to Powerlooms and Mills. It also intends to ensure that the areas of production actually reserved for handlooms are not encroached upon by powerlooms. Under this Act 22 types of fabrics have been reserved exclusively for production by the Handloom Sector and the Government of India issued an order on 11th March

1986. If this Act is implemented effectively and all the 22 items are produced only on handlooms, it would go a long way in increasing the production and improving the welfare of the handloom weavers. Most of the powerloom owners who have formed their own Association, filed writ petitions challenging the Development Commissioner's Notifications and got Court orders staying the implementation of the Reservation Act. The Government of India moved the Supreme Court of India to get all the cases in various High Courts transferred to Supreme Court so that these could be argued and a verdict is obtained at the earliest at one single point. The Supreme Court of India has admitted the Government of India's 'Transfer Petition'. The office of the Development Commissioner for Handlooms is making efforts to get it decided at the earliest.

In the meantime, the Government of India with a view to protecting the handloom industry and to enforce the provisions of the Handloom Reservation Order, have set up an Enforcement Machinery with Headquarters at New Delhi and three Regional Offices at Delhi, Pune and Coimbatore from 31st March 1986.

As per the Textile (Control) Order 1986, the State Governments have been authorised to issue Registration Certificates to all kinds of authorised and unauthorised powerlooms. Owing to this liberalisation and relaxation of rules and procedures relating to registration of powerlooms
there was no control over the growth of powerlooms. Hence, keeping the problem in mind, the Government of India decided to enforce the provisions of the Reservation Act effectively which would require periodic inspection of the powerlooms scattered all over the States, by implementing the scheme for establishment of enforcement machinery at the State level.

The Reservation Scheme was fully funded by the Government of India during the VII Five Year Plan. From the First Year of the VIII Five Year Plan it is proposed by the Sub-group of VIII Plan that the Central assistance to the States should be reduced on a tapering basis, i.e., the State Government will bear 20 per cent of the expenditure of the Enforcement Machinery during the First Year of VIII Five Year Plan, 40% during the Second Year of VIII Five Year Plan period and so on, so that by the terminal year of VIII Five Year Plan, the entire expenditure for the purpose will be met out of the funds of the States. On the other hand the expenditure could also be met from out of the powerloom registration fees collected at Rs.250/- per powerloom and credit it to Government account. The Central assistance is available to meet recurring and non-recurring expenditure for the purpose. Quite recently, the Abid Hussain Committee on the Review of Textile Policy, has recommended that handloom Reservation should be changed from fabric to fibre. It suggested that all natural fibre like cotton,
silk and wool should be reserved for handloom and all man-made fibers should be reserved for others.

Conflicting views have been expressed about the benefits accruing to the handloom industry from the reservation of the fields of production. Nevertheless, the Reservation policy helped the industry in its survival. In addition to the demerits of the scheme, its proper implementation has not been possible. Items reserved for handlooms should be produced on Handlooms only. Any breach of this order, should be punishable under the Essential Commodities Act. In actual practice, however the orders are honored more in breach than in compliance and there is very little of prosecution under the Essential Commodities Act. A household unit possessing 4 powerlooms is exempted from following Reservations and they have taken good advantage to prosper. It is another lacuna in the Reservation Policy. As the decentralised sector is littered with small powerloom units, along with the unauthorised powerlooms, they have taken advantage of the reservation schemes at the expense of the handloom sector.

REBATE:

With a view to improving the marketability of handloom cloth by reducing the price gap between the Mill-

1. High power Study Team-Govt.of India-1974-p.81.
2. Powerloom Enquiry Committee Report-Govt.of India-1964-pp.133-34
made and handloom cloth, an attractive rebate on sales of handloom cloth at 20%, on certain occasions usually synchronising with festivals, was introduced. The difference between Handloom cloth and Mill cloth was estimated by the Powerloom Enquiry Committee, in the year 1964 to be not less than 27 percent as the Mills were adding the extra cost incurred for reeling yarn into hanks for bundling and baling, transport etc., not to mention the profits of the Mills and other middle men\(^1\). When the scheme of 'Rebate' was first introduced in 1954 it was hoped that it would not only create preference for handloom cloth among the consumers, but reduce the price gap between Mill cloth and handloom cloth. One of the measures to boost the sales of handloom cloth is the grant of rebate to consumers\(^2\).

In the beginning Rebate was being allowed at 2 annas in a rupee or 12.5 percent normally and at about 20 percent on special occasions. Not only Weavers' Co-operative Societies but private merchants selling handloom cloth exclusively, were also permitted to allow rebate. Though all the claims for reimbursing the rebate allowed to consumers was subject to checking and certification by Government officers; it was soon found that this 'Rebate' was being misused by the private merchants. Therefore 'Rebate' was

\(^1\) Report of the Handloom Committee-B.R.K.Sastry-Govt.of Andhra Pradesh-1980-p.50
denied to private merchants within a year after it was started. The Government of India, at present, is providing a special Rebate of 20 percent for 30 days in a year as a matching grant. The Central Government gives 10 percent and the State Governments also give an equal amount of Rebate for a period of 30 days in a year spread over several spells coinciding with the festivals and occasions.

Though the idea behind the Rebate scheme is good for the industry, it did not yield the expected returns. The Rebate scheme which was intended to be a boon has become a bane to the handloom industry. It was only after the starting of 'Rebate' scheme, that many Weavers' Cooperative Societies in Andhra Pradesh worked at heavy losses and gradually became dormant.

The Rebate Scheme introduced by the Government to encourage sale of handlooms is boomeranging, because of the delay in reimbursement of the amount. This amounts to a flow of credit in the reverse direction i.e. from the handloom weavers to the Government. It may be mentioned in this context that apart from the loss of

interest to Societies on the heavy amount of 'Rebate' which remained without reimbursement for long periods, this 'Rebate' disturbed the Co-operative Societies. The primaries were selling the cloth produced by their members, to outside merchants at a cheaper price than to the Apex Society because no rebate was allowed on the sale of cloth to Apex Society by the Primaries. For instance, a Society sells cloth produced by it at a cost of Rs.100/- by adding 10 percent as its margin. Out of the selling price of Rs.110/- so fixed, a rebate of 10 percent or Rs.11/- is deducted and it is sold to a merchant at a net price of Rs.99/-. But when the same cloth is sold to Apex Society, the later is expected to pay some margin to the Primary Society over the cost price of Rs.100/-. Even if 5 percent margin is allowed, the Apex Society must pay Rs.105/-. On this purchase price the Apex Society adds about 20 percent before selling the cloth through its sales units allowing a Rebate of 10 percent on the retail selling price of Rs.126/-. Thus the consumer pays Rs.126-12.60 i.e Rs.113.40. But the private merchant who purchases it only for Rs.99/- from the Primary Society, can sell it for Rs.110/- and yet make a profit of Rs.11/-. The Apex Society sells the same cloth for Rs.126/- when no Rebate is allowed.

When Primaries thus sell their cloth to private merchants at lower prices, the Apex Societies could not get supplies of required varieties of cloth for sale through
their sales units because merchants purchase away all salable stocks as long as there was a heavy demand in the market. When the market slackened, the primaries were looking to the Apex Societies for purchasing their unsold stocks. If the Apex Societies wanted to give yarn in exchange to cloth, the Primaries were often pointing out that yarn was being sold in the market at lesser prices.¹

Considering all these complications and conflicts which arose out of 'Rebate' neither the primaries nor the Apex Societies need feel sorry for the stoppage of Rebate in future. Instead, we must welcome other alternative forms of assistance which can strengthen their financial base and which can also lead to better cooperation between the individual weaver members and primaries and between Primaries and the Apex Societies. We quite realise that a change over from the system of subsidy to a system of no subsidy may not be immediately accepted. It is true that the Subsidy system, along with other protective measures, affords time and opportunity to the handloom industry to gain the necessary strength to develop on its own. Obviously the Rebate system should be considered as a temporary measure. In view of the mounting expenditure on the payment of Rebate by the Government, the Government is not able to give any substantial funds to

other necessary sectors for development of Handlooms. Hence the High Power Study Team felt that this system should be gradually wiped out during the next three years by tapering the Subsidy.

TECHNICAL DEVELOPMENT:

Technology is the base for the survival and development of any industry. The growth of Small Scale Industries in India has not been satisfactory despite the various provisions for its technological development in the industrial policy of the Country. One of the major handicaps of the small-scale sector has been the absence of the latest technology which alone can ensure quality and a high rate of productivity. The small industrialist, therefore, should keep himself abreast of developments in technology.

'Low productivity' is one of the basic problems with which the industry has been confronting, and hence the income of the handloom weaver is very low. In order to increase the productivity, and income of the handloom weaver, technological upgradation is the sine qua non in the handloom industry. To raise the volume and value of the product it is essential to impart know-how to the weavers.

2. Idem.
in the latest production techniques and designs. The Handloom weavers will have to be provided with improved tools which will bring in more returns at least double the present level.

The old and outdated looms are still in use in the industry. One of the reasons for low earnings and the poverty of handloom weavers is that most of the handloom weavers are still working on old and outdated handlooms and technology. Using obsolete techniques of production and designs by handlooms, the quantum of production is very low and it is not suited to market demand. All the plans and schemes intended to bring technological development in the industry did not meet with success. Being a cottage industry a majority of the looms are concentrated in rural areas throughout the Country. The weavers are mostly residing in small huts without adequate space even for dwelling. The impact of technological developments such as introduction of new designs, new weaving and colour combination is not felt at all. The resistance to change emanates out of their unwillingness to take risks, despite their awareness that production of the same traditional varieties would lead to stagnation and accumulation of

stocks. Similarly there has also been resistance to introduction of new technology as weavers feel that sophistication would mean more work\textsuperscript{1}.

The low productivity in the industry raises the cost of production of cloth to level which the market cannot absorb. Consequently, the handloom industry couldn't compete with the Mill and powerloom industries. In fact much has been done for the technological development in the handloom industry. For example a number of innovations such as take-up and let-off motions, improved looms with multiple shuttles and Pedal Looms were made by the Institute of Handloom Technology and a large number of Weavers Service Centers have been established in different parts of the Country to speedily transfer these improved technology\textsuperscript{2}. All this technology did not help to bring any substantial increase in the earnings of the weavers. These technology improvements have not been transferred to the industry in a big way\textsuperscript{3}. Therefore, there is need to ensure swift and smooth transfer of technology from the Research Institutes to the handloom weavers\textsuperscript{4}.

\textsuperscript{2} National Institute of Rural Devlopmnt-Hyderabad-Employment Factor in Handlooms-1986-p.73.
\textsuperscript{3} Ibid-p.99
\textsuperscript{4} Report of the Expert Committee on Handloom Technology-Apr, 1986 Govt. of India-p.22 para No.2.66
The survival of handloom industry, like any other traditional cottage industry, depends very much upon its ability to adopt itself to the changing conditions by constantly improving its techniques of production\(^1\). Unfortunately its absence is conspicuous in handloom industry\(^2\). Most of the weavers are in the Indian rural sector. They are unaware of modern designs and by the time they use them, they become outdated in the market. Hence, there is great need to educate and train the weaver in such a way that he can observe and produce the cloth in accordance with the changing fashions of the consumers. It is imperative on the part of the Government to promote a number of Weavers' Service Centres in various handloom concentrated areas in the State to ameliorate the living conditions of handloom artisans.

Training is another essential input in the Handloom development programme as this will enable handloom personnel to acquire necessary skills and will equip them in the modern management techniques. The scheme of technical training is one of the important schemes for technical improvement of the handloom industry\(^3\). Low pace of

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technological development in the handloom industry is a hindrance for the healthy growth of the industry. Weavers in the industry, therefore, should keep abreast of developments in technology and changing tastes and preferences of the consumers. As weavers are not exposed to advanced technological innovations, they are unable to orient their production to the ever changing tastes and preferences of the overseas market.

CONVERSION OF HANDLOOMS INTO POWERLOOMS:

For the first time in India, the problem with regard to the uncontrolled growth of the powerlooms, was recognised in 1942 by the Fact Finding Committee. The Committee had stated that a new rival has come into the field, namely single unit powerloom worked in cottages and small powerloom factories. Wherever these little powerloom units have grown they have seriously affected the handloom industry. In this respect handlooms have been the worst hit. Thus powerlooms are the greatest menace to the handloom industry.

The Textile Enquiry Committee, (1952) for the first time, flashed the idea of converting the handlooms

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3. Ibid-p.20
into powerlooms. The smaller powerlooms unit, however, is almost invariably a step in the evolution of the industry from a predominance of the handloom to one of the powerloom. The Committee felt that it would increase the productivity and earnings of the handloom weavers. It finds little difference between powerloom and handloom industry. The cottage powerloom unit is a little different from the handloom unit, except that in the case of the former, the weaver produces per unit of time about four times as much cloth as the handloom weaver and, therefore, earns a better total wage than the handloom weaver. Having in view the similarity between the small powerloom unit (Having less than 5 looms) and a comparable handloom unit, the Government of India decided to allow to the small powerloom industry the same benefits of reservation of certain varieties for production which were conferred on the handloom industry in 1950. Since 1951, the installation and working of powerlooms on cotton yarn has been very stringently controlled under the Cotton Textiles Order 1948, with a view to ensuring the maximum possible share to the handloom industry from out of the meager available supplies of yarn.

2. Ibid-p.8
3. Ibid-p.9
The 'Powerloom Enquiry Committee' 1963, strongly recommended a phased conversion programme of handlooms into powerlooms with a view to improving the economic position of the weaver. The Government of India accepted the recommendations of the Committee and implemented the scheme during the Second Five Year Plan. The main conditions of the policy governing the installation of the powerloom in the handloom sector were:

1. The allotment of looms would be on a Co-operative basis as in the existing handloom industry.
2. The existing Co-operative Societies would be assisted to change over to powerlooms.
3. Powerlooms should normally be housed in weavers' cottages themselves.
4. The Co-operative unit of Powerlooms to be formed should normally be small in size say of 10 looms.
5. Powerloom units should be located only in rural areas. For this purpose a town with a population of 30,000 or less will be considered as a rural area.
6. Only one powerloom to each weaver normally should be allotted.
7. It is not necessary to insist that where a powerloom is put into commission, the handloom should go out of Commission.
8. Powerlooms under this scheme are meant exclusively for production of cotton cloth only.

In accordance with the recommendations of the Committee, the Government of India decided to allow the installation of 35,000 powerlooms in the handloom sector.

sector during the Second Five Year Plan and allocated a specific production target of 200 million yards of Cotton cloth to be manufactured by these powerlooms\(^1\). Under this scheme, 13,469 powerlooms were sanctioned to the various handloom Co-operatives\(^2\). The response from the State Governments was not equally encouraging. The Government of Andhra Pradesh kept aloof while the Government of Madras got 15 looms sanctioned on an experimental basis\(^3\). The Government of India reviewed the scheme and in 1961 it was discontinued, except allowing installation of powerlooms in the cases where irrevocable commitments had been entered into\(^4\).

While the State Governments were proceeding with the installation of powerlooms on a phased programme, backed by considerable amount of financial assistance by way of looms and grants, it came to light even in 1959 that a very large number of powerlooms had come into existence without any Governmental help and in contravention of the restrictions placed over the acquisition or installation of powerlooms in the Country\(^5\). It was also maintained that in some cases, the benefits from setting up of powerlooms

\(^1\) Powerloom Enquiry Committee Report-op.cit-p.29
\(^2\) Idem
\(^3\) Ibid P.60
\(^4\) Ibid p.29
\(^5\) Ibid p.60
accrued to the Mill owners than to the owners of the powerlooms\(^1\). It was also held that the amount spent on the installation of powerlooms could be more usefully utilised for the improvement of the general standard of production of handlooms and for promoting their exports with a view to augmenting Foreign exchange\(^2\).

The Powerloom Enquiry Committee had accepted that the scheme of converting handlooms into powerlooms did not meet with full success—not because the weavers did not take to the scheme with enthusiasm, but mainly because of the following factors\(^3\).

1. Insufficient financial assistance provided for working capital.

2. Absence of simultaneous arrangements for providing pre-weaving facilities, Winding, Warping, Sizing etc., for supply of yarn in sized beams as also post-weaving finishing arrangements.

3. Absence of arrangements to ensure that in the allocation of looms, in the Co-operatives, the net befits arising there from did really get distributed among all the members of the Co-operatives.

The Committee further observed that there was considerable time lag between the formulation of the scheme and its actual implementation.

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1. Powerloom Enquiry Committee Report, op-cit, p.60
2. Ibid p.61
3. Ibid p.65
The need for introduction of superior technology in the handloom industry is irrefutable. But opinions differ on the degree of technological change over. In the running controversy over how much labour intensity is to be maintained and how much mechanisation is to be allowed, the weaver is being forced to continue the traditional labour-intensive approach which involve drudgery some times of the entire family, with a small return in value added for the time employed. The primary approach in the strategy should be the evolution of an intermediate technology, a suitable mix of mechanical process for the industry so that those parts of the operation which involve heavy drudgery and expenditure of time, without adequate value added for time spent, are suitably mechanised\(^1\). If the preliminary process is mechanised, the weaver and his family can employ their time in a better way in actual weaving, where their skill comes into operation and where value added for time spent is reasonable.

SUMMARY:

The policy of maximising employment in the process of making cloth has been the corner stone of our Textile Policy. Accordingly handloom Sector was given priority in successive Five Year Plans. Since Independence a number of measures have been taken up for the protection and development of the handloom industry. On the organisational side, emphasis is being given on expansion and strengthening of the Co-operative sector. Attempts have been made to bring more number of handlooms into Co-operative fold, by extending finance and marketing facilities. Efforts have been made to make available institutional finance. The policy to expand the capacity of the Spinning Mills and to set up new ones in the Co-operative sector in order to ease the yarn problem, is a step in the right direction. Adequate measures have been taken to protect the handlooms against competition from the Mills. A special field in the textile market has been demarcated for the handloom sector through the scheme of reservation. Rebate facility is provided to encourage the demand for handloom cloth. Excise duty is imposed on powerlooms and Mill industry for the benefit of the handloom industry.

Government efforts in the direction of increasing the productivity of handlooms did not meet with success. Technology intended for the development of the handloom industry did not reach the weaver. Government efforts to
convert the existing handlooms into powerlooms also is a failure because of weavers reluctance. Hence technological development in the handloom industry is a major problem to be solved.

After an analysis of all the Government Plans, any one would be forced to come to the conclusion that serious efforts are not directed towards making the industry economically viable. The industry is made to live on doles and on reservations for years. Consequently, the industry will continue to drain the resources of the public Exchequer, and the consumers will continue to pay a high price for cloth. So, the Government Policy must help the industry to stand on its own legs, by means of producing superior varieties of cloth, which the powerlooms and Mills can not produce, and the weavers producing plain varieties of cloth must either be trained to produce artistic varieties of cloth, or they must be engaged in the powerloom industry.

When all is said and done, the Textile Policy of the Government of India also is not without deficiencies. Following are the important deficiencies;

1. The policy doesn't have a long term and clear perspective for the development of the handloom industry.

2. The policy doesn't help improving the technological base of the handloom industry, and hence there is no perceptible progress in increasing the productivity of the handloom weaver. Consequently the competitive ability of the handloom sector has drastically decreased compared to earlier periods.
3. The policy of treating handlooms on par with powerlooms, has been detrimental to the healthy development of the handloom industry. The advantages that the powerlooms have over the handlooms with their better technology and almost the same level of excise vis-a-vis the handloom sector has to be set right so that the powerlooms are no longer in a position to underbid the handlooms in their legitimate markets.

4. The policy has seriously neglected the private sector whose role is vital in the industry, which constitute about 80 per cent of the total looms in the Country. There are large concentrations of looms outside the effective Co-operative fold and the Master Weaver fold for which an effective rehabilitation programme will have to be drawn up.

5. The policy of fixing targets quite below the capacity of handlooms in the Country is quite unjustifiable. Even to realise the targets set, arrangements were not made through the supply of raw materials and credit. The Weavers are put to hardships due to inadequate and irregular supplies of raw materials and fluctuating prices of yarn, zari, dyes and chemicals.

6. The removal of capacity restrictions, with the implementation of Textile Policy of 1985, worked against the interest of the handlooms. Steps should be taken to impose restrictions on the strict implementations of reservation policy to protect the handloom industry.

From the foregoing analysis, we can conclude that the Government should prepare a long term perspective plan for the development of the handloom industry. The technological developments in the handloom industry should be passed on to the weavers, and they should be convinced of the utility of the technology. The Government should take care of the private sector, while formulating the Handloom Development Plan. The fiscal concessions so far

2. Ibid—para No:8—p.No.IV.
extended to powerlooms on par with handlooms should come to an end, and the powerlooms should be treated on par with Mills. Free and adequate supply of raw material should continue to help the Handloom Industry, and the production targets of the Handloom Sector should take into consideration the optimal productive capacity of the industry. Steps must be taken to restructure the Textile Policy of 1985, and the compartmentalisation system should be reintroduced in view of protection required by the handloom industry.