CHAPTER 4

TEXTILE SECTOR POLICY

4.1 INTRODUCTION

Today India has emerged as a second largest producer of cotton next only to China. It is on account of natural endowments of India in terms of soil and climate, farmers' hard work, coupled with technology (Bt cotton) including inputs. India has a similar position in silk production. India enjoys a dominating position in terms of cotton processing as well. As highlighted in previous chapter, almost one third of the export earnings are from textile and clothing exports. This sector provides employment to a large chunk of rural masses. In such a scenario, it is important that the Government has an enabling policy for the industry to invest in business as well as encouraging incentive structures so that industry players witness a high growth trajectory.

Post liberalization has been a revolutionary phase in terms of government reforms in the textile sector. This was when exports also got a boost, part from accelerating pace of domestic textile industry. This chapter focuses on discussing the government textile policy framework both pre and post liberalization phases. Towards the end, a separate section elaborates the export promotion policies.

4.2 PRE LIBERALIZATION PHASE POLICY FRAMEWORK

The textile sector has always been very important for an economy like India It has provided a product of necessity and also lot of employment in the economy. The various schemes run by the Government to encourage growth of textile industry in the **pre liberalization era** are enumerated below-

The two world wars and the Swadeshi movement provided great stimulus to the Indian cotton textile industry. However, during the period 1922 to 1937 the industry was in doldrums and during this period a number of the Bombay mills changed hands. The Second World War, during which textile import from Japan completely stopped, however, brought about an unprecedented growth of this industry. The number of mills increased from 178 with 4.05 lakh looms in 1901 to

249 mills with 13.35 lakh looms in 1921 and further to 396 mills with over 20 lakh looms in 1941. By 1945 there were 417 mills employing 5.10 lakh workers.

The 1985 Textile Policy though it made a major departure from the past by proclaiming increase in productivity as the main objective, did not shy away from making profuse promises to the handlooms - "to preserve the distinctive and unique role of the handlooms to enable them to realize their full potential and ensure higher earnings to the weavers" [GOI 1985:4].

The measures intended to preserve the handlooms are:

(a) Modernization of looms to improve handloom productivity and quality;

(b) Necessary measures to encourage and increase spinning in khadi sector, given its large employment potential;

(c) Ensuring the availability of yarn and other raw materials at reasonable prices;

(d) encouragement to the production of mixed and blended fabrics on handlooms by making man-made fiber adequately available at reasonable prices by increasing domestic production supplemented by imports.

(e) Providing market facilities; and

(f) Introduction of Contributory Thrift Fund and Workshed-cum- Housing Scheme.

In 1991 India embarked on the path of economic liberalization, this entailed adoption of Industrial liberalization policy, increasing competition and efficiency of various industrial sectors. This required overhauling of policy framework. This resulted in a separate policy for textile sector owing to its special significance for the Indian economy.

4.3 POST LIBERALIZATION SCHEMES

The various schemes run by the Government to encourage textile industry during the **post liberalization era** in the country are as under:-

(i) Technology Mission on Cotton (1990)

(ii) Catalytic Development Programme (IX FYP);

(iii) Technology Upgradation Fund Scheme (1999);

(iv) Group Insurance Scheme for Powerlooms Sector (2003) ;

(v) Group Workshed Scheme for Powerloom Sector (2003);

(vi) Scheme for Integrated Textile Park (2005);

(vii) Handloom Weavers' Comprehensive Welfare Scheme (2009);

(viii) Integrated Scheme for Powerloom Sector Development (XI FYP);

(ix) Diversified Handloom Development Scheme (XI FYP);

(x) Integrated Handlooms Development Scheme (XI FYP);

(xi) Mill Gate Price Scheme (XI FYP, 2011-12);

(xii) Revival, Reform and Restructuring Package for handloom Sector2 (2011-12).

(xiii) Restructured Technology Upgradation Fund Scheme (2013);

(xiv) Schemes for Technical Textiles (2014);

The Export promotion schemes are discussed separately at the end. A brief discussion of these has been presented below.

4.3.1 TECHNOLOGY MISSION ON COTTON (TMC): 1990

Encouraged by the results obtained in oilseeds by Mission Mode approach during the 1990s, it was thought appropriate to follow a similar approach for improvement of production, productivity and quality of cotton, bringing the entire gamut of research, development including technology transfer, marketing and processing of cotton under one umbrella. Government of India has thus decided to set up Technology Mission on Cotton and it was launched in February, 2000 by Hon'ble Prime Minister Shri Atal Bihari Vajpayee.

Objectives of The Mission: The objectives of the mission mode approach are

(a) To improve the yield and quality of cotton, particularly in respect of staple length, micronaire, strength, etc., by developing better cotton varieties and through improved seeds and Integrated Water, Nutrient and Pest Management Technologies and their transfer to farmers.

(b) To increase the income of the cotton growers by reducing the cost of cultivation apart from increasing the yield per hectare by proper transfer of technology to the growers thereby increasing the production and availability of cotton for internal consumption and exports.

(c) To improve the quality of cotton, particularly in respect of trash, contamination, etc., by improving the infrastructure in the market yards for cotton, by providing better facilities for cotton marketing and reducing foreign matters, resulting in minimum contamination in cotton.
(d) To improve cotton processing facilities by upgrading/ modernizing the existing ginning and pressing factories, resulting in cotton processing with minimum or no contamination to achieve better value added products like yarn, cloth, garments, made-ups, etc.

To fulfill the above objectives 4 Mini Missions are established under TMC as follows:

Table 4.1 Mini Mission Objectives and their Nodal Agencies

Mini Mission	Objective	Nodal Agency
I	Cotton Research and Technology generation	Indian Council of Agriculture Research
II	Transfer of Technology and Development	Ministry of Agriculture
III	Improvement of Marketing infrastructure	Ministry of Textiles
IV	Modernisation/Upgradation of G & P Factories	Ministry of Textiles

Mini Mission I

Mini Mission-I was with the Indian Council of Agriculture Research (ICAR) as the nodal agency. The ICAR has made CICR, Nagpur as the nodal institution to run MM - I.

The main objectives of MM - I is as follows:

a) Breeding varieties/hybrids resistance to biotic stresses, including development of transgenic.
b) Development of short duration, synchronous flowering and relatively compact varieties amenable to machine picking.
c) Development of economical seed production technology using- male sterile lines.
d) Optimization of resource use efficiency through the development of integrated soil, water, nutrition and weed management strategies for sustainable productivity and production.
e) Evolution of eco-friendly technologies such Integrated Pest Management, use of bio-fertilizers and organics, etc.
f) Crop growth and yield modelling.
g) Development of suitable farm machinery for cultivation of cotton.
h) Fibre Quality improvement.

This was followed by MM-II as detailed below.

Mini Mission-II

Mini Mission II is with the Ministry of Agriculture, Department of Agriculture and Cooperation as the Nodal Agency, has the following objectives:

a) To increase production and productivity of cotton.
b) To transfer production technology to farmers through field demonstrations and farmers/extension workers training.
c) To bring more area under irrigation and efficient use of water by popularising drip and sprinkler irrigation.
d) To minimize the losses to cotton crop by pests through popularising the use of delinted seed and IPM techniques.
e) To promote the use of quality inputs in cotton through standard package of practices.
f) To achieve the said goal under MM-II of TMC, the followings strategies are being implemented.

This was followed by MM – III.

The Mini Mission III & IV of TMC closed on 31.12.2010

4.3.2 CATALYTIC DEVELOPMENT PROGRAMME

Objectives

The objectives of the catalytic shift in policy resulted in new programme for textile development. Its objectives are as mentioned below:

1) To increase the production, productivity and quality of Indian silk through a package of innovations, technologies and incentivize investments to reduce the burden of the beneficiaries, so as to promote equitable and attainable human development, with special attention to bivoltine and gradable improved cross breed silk production.

2) To set up viable enterprises for seed production, cocoon production, reeling, processing etc. and facilitate direct access to the latest technologies and findings developed by CSB in its R&D institutions.

3) To focus on complete and holistic development of sericulture industry in all States of the country involving States and stakeholders for sustainability, and improvement in output in terms of quality and quantity.

4) To promote sericulture as a major instrument of poverty eradication and employment generation particularly in the rural and tribal areas of the country.

5) To act as convergence vehicle among the major players like Central and State governments, NGOs, SHGs, Private parties, and other stakeholders for the focused development of sericulture industry.

6) To organize equitable distribution of benefits among the stakeholders across the production chain, and inculcate participatory mode of extension system, capacity building, and private participation in critical areas.

7) To federate sericulture farmers into Community Based Organizations (CBOs), for up-scaling their activities, increasing productivity, synchronizing the pre and post cocoon activities, strengthening extension and increasing credit flow.

8) Zone – wise approach for neutralizing regional variations in Unit Cost and agro-climatic conditions, and effective monitoring of developmental programmes.

9) Implementation of 100 - 150 model mulberry clusters in association with States and support from nested units of R&D Institutions of CSB across the country, for exclusive production of Bivoltine silk of International standard. Depending on the need and within the resources available for CDP, additional cluster projects for Bivoltine Silk production in the country would be implemented, and

10) To establish convergence and synergy with other schemes of the Central and State Government through integrated approach for the overall development of silk industry to achieve horizontal and vertical integration of all the links in silk production chain.

4.3.3 TECHNOLOGY UPGRADATION FUND SCHEME (TUFS):

INTRODUCTION OF TUFS

TUFS was introduced in 1999 to catalyze investments in all the sub-sectors of textiles and jute industry by way of 5% interest reimbursement. The scheme was initially approved from April, 1999 to March 31st, 2004. Subsequently, the scheme was extended in 2004 and again in 2007 with modifications and further restructured w.e.f 28/04/2011 to 31/03/2012 which was then further extended / rolled over upto 31/03/2013. Investments under TUFS had gained notable momentum during its operational life span of over 14 years.

Purpose

The objective of the Technology Upgradation Fund Scheme (TUFS) is to leverage investments in technology upgradation in the Textiles and Jute Industry and help them overcome technological obsolescence and create economies of scale. The globalization of textiles trade mandated for financial assistance to domestic industry to abridge prime rate in the country to that of the LIBOR. The benefits under the TUF Scheme are available for modernization / expansion of existing units and for setting up of new units in various segments of textile and jute industry.

Segments (Activities) Covered

It included following programmes

1. Cotton ginning & pressing.
2. Silk sector (i.e. reeling, twisting, spinning, and weaving);
3. Wool sector (i.e. scouring, combing, spinning (worsted, shoddy and woolen) and weaving).
4. Synthetic filament yarn texturising, crimping & twisting.
5. Stand-alone Spinning.
6. Spinning with matching downstream capacity.
7. Manufacturing Viscose filament yarn / viscose staple fibre.
8. Independent weaving preparatory.
9. Weaving.
10. Knitting.
11. Non-Wovens and coverters of non-wovens.
12. Embroidery on stand-alone basis.
13. Technical Textiles.
14. Garment manufacturing.
15. Made-up manufacturing.
16. Processing of fibres, yarn fabrics, garments and made-ups.
17. Jute Industry.
18. Carpet manufacturing.
19. Handloom weaving.
20. Composite Upgradation, (i.e. units going for upgradation in spinning, weaving / knitting and processing).

Benefits under the scheme:

a) 5% reimbursement of the normal interest charged by the lending agency on rupee term loan (RTL); or

b) Coverage of 5% exchange fluctuation (interest & repayment) from the base rate on foreign currency loan (FCL); or

c) 15% credit linked capital subsidy for the SSI textile and jute sector; or

d) 20% credit linked capital subsidy for the power loom sector; or

e) 5% interest reimbursement, plus 10% capital subsidy, for specified processing machinery.

f) 25% capital subsidy on purchase of the new machinery and equipment for pre-loom & post-loom operations, handlooms/up-gradation of handlooms and testing &quality control equipment's, for handloom production units.

Progress of Tufs

The progress of TUFS is steadily going up which is evident from the data given in following tables. This includes 20% Credit Linked Capital Subsidy Scheme under CLCS-TUFS for power loom units had been launched on 6th November 2003. Under the scheme, Rs. 282.09 crores has been disbursed to 3568 cases as on 31.01.2013:

Table 4.2 TUFS Progress- No. of units supported and amount disbursed

NO	YEARS	NO. OF UNITS	AMOUNT OF SUBSIDY RELEASED (Rs. In crore)
1	2003-2004	004	00.10
2	2004-2005	150	06.00
3	2005-2006	368	23.00
4	2006-2007	958	68.89
5	2007-2008	436	35.92
6	2008-2009	404	32.48
7	2009-2010	363	30.57
8	2010-2011	233	17.72
9	2011-2012	120	12.94
10	2012-2013(as on 31-1-2013)	7	0.38
11	2012-2013(as on 31-1-2013)	349	42.71
	TOTAL	3568	282.09

Major Beneficiaries

Gujarat, Tamilnadu, Punjab, Maharashtra and Rajasthan are the major beneficiary states having availed of assistance under TUFS in terms of amount sanctioned and disbursed. The details from 01.4.1999 to 28.6.2010 are indicated below:

Table 4.3 State wise beneficiaries under TUFS

State	Sectioned (Rs. crore)		Disbursed (Rs. crore)	
	No of application	Amount	No. of application	Amount
Maharashtra	2070	18974.96	2059	16770.72
Tamilnadu	6089	22666.22	6083	20448.68
Punjab	2034	15507.65	2926	11321.01
Rajasthan	1109	5808.75	1109	5306.48
Gujarat	13155	8314.40	13152	6902.46
Other	2945	13818.87	2851	13877.22
Total	28302	85091	28180	74627

Source: Ministry of Textiles, Government of India

4.3.4 GROUP INSURANCE SCHEME FOR POWERLOOM SECTOR

Introduction: The Government of India had introduced the Group Insurance Scheme for Powerloom Weavers from 1st July, 2003 which is a combination of Janshree Bima Yojana (JBY) and Add-on Group Insurance Scheme (AGIS). The Scheme was revised w.e.f. 1st January, 2008 and the revised Scheme was known as Group Insurance Scheme for Powerloom Weavers. This Scheme is implemented in collaboration with the Life Insurance Corporation of India. It is proposed to continue the said insurance scheme during 12th Plan period with certain modifications with effect from 1st September, 2012. The scheme will continue to be known as Group Insurance Scheme for Powerloom Weavers.

Objective: The basic objective of this scheme is to provide insurance cover to the powerloom weavers in the case of natural death, accidental death as well as partial and permanent disability due to accident.

Eligibility: 1) The Powerloom weavers who are between 18 to 59 years of age. 2) The scheme will be universally applicable for powerloom workers/weavers irrespective of their status with reference to BPL/APL categories. 3) The scheme is applicable to the families of powerloom workers engaged in the activity of weaving on powerlooms and in allied preweaving/preparatory activities like twisting, winding, warping and sizing. Self employed weaver families owning not more than 4 looms will also be eligible. 4) Family for the purpose of the scheme shall be the beneficiary and his/her spouse and only one of them shall be eligible for coverage. 5) The scheme is operational on yearly basis i.e. the premium paid will cover the applicant under this insurance scheme for one year. He can continue the insurance every year during 12th Plan period by paying premium up to the age of 59 years.

Salient Features Of The Scheme: The present GIS scheme will have only one component and the benefits and the premium under the scheme will be as under.

Benefits:

A. In the event of death of the member, Sum Assured of Rs.60,000 will become payable to the nominee.

B. In the event of death by accident or Partial/Total Permanent Disability due to accident, the following benefit shall be payable:

Table 4.4: Benefits under group insurance scheme for power loom sector

On death due to accident	Rs. 1,50,000/-
Permanent total disability due to accident	Rs.1,50,000/-
Permanent partial disability due to accident	Rs.75,000/-

Additional Benefits: In addition to above, a worker enrolled under this scheme will also be entitled for educational grant of Rs.600/- per child per half year for two children studying in IXth Standard to XIIth standard for a maximum period of 4 years under Shiksha Sahayog Yojana (SSY).

• If a student fails and is detained in the same standard, he will not be eligible for scholarship for the next year in the same standard.

•If the premium under this scheme is not paid on renewal date, the child shall not be eligible for scholarship.

•The final selection for the scholarship shall be based on the criteria of poorest of the poor, as the number of scholarships is limited.

The member of the scheme whose child is eligible for scholarship shall fill up an application form (available with the nodal agency) and submit to the nodal agency. The applications duly filled in and certified will be sent along with the list of beneficiary students by the nodal agency to the concerned LIC (P&GS) Unit for disbursement of scholarship under "Shiksha Sahayog Yojana". The scholarship will be disbursed to the beneficiary students through the concerned agency.

LIC will send the Account Payee Cheque in the name of the nodal agency along with list of beneficiary students who will pass on the scholarship to eligible students. Nodal agency has to maintain records and submit certificate of utilization periodically to LIC (P&GS) Unit.

Premium: The annual premium of Rs.470/- per member will be shared as under:

Table 4.5: Break up of premium

Government of India contribution	Rs.290/-
Workers/Weavers' contribution	Rs. 80/-
Contribution from social security fund	Rs.100/-
Total premium	Rs.470/-

Operational Modalities: 1. The scheme will be jointly implemented by the Office of Textile Commissioner and the LIC of India.

2. The Regional Offices (RO) of Textile Commissioner shall be the nodal agencies for implementation of this scheme except in case of Karnataka, where the nodal agency will be Karnataka State Textile Infrastructure Development Corporation Ltd. (KSTIDC), Bangalore. Their responsibilities include sensitising the powerloom workers/weavers about the benefits of the scheme, enrolling as many powerloom workers/weavers as possible under the scheme and facilitating them in filling the applications.

3. The Nodal Agencies will mobilise the powerloom workers/weavers for becoming members of this scheme through the respective Powerloom Service Centres (PSCs) covering major powerloom clusters.

4. A prospective beneficiary shall be required to fill up an application-cum-nomination form and submit the same to the nodal agency along with his share of the premium. There shall be no requirement of Photo-Identity card or any documentary proof of age. No medical certificate is required and self-certification would be sufficient for the purpose.

5. The PSCs, ROs and KSTIDC would enroll the powerloom workers/weavers as members under the scheme, collect their premium and send the applications along with premium to the respective RO / KSTIDC as the case may be by 25th of each month, the premium amount should be sent to the RO / KSTIDC in the form of demand draft drawn in favour of LIC and payable at the location of the concerned jurisdictional LIC office. The ROs and KSTIDC as the case may be, on receipt of the details and the premium, will compile the applications received from workers as one Group, along with the amount of premium received from beneficiary and submit it to the concerned Regional Office of the LIC by the last working day of the month.

6. These nodal agencies would be given the responsibility and accountability to ensure that the contribution of workers/weavers reach in time so that they are not deprived of the insurance benefits of the scheme as well as for ensuring that workers/weavers are not inconvenienced in getting their claim.

7. On receipt of the list of beneficiaries along with the applications and the premium amount, the LIC would issue the master policy from the 1st day of the following calendar month.

8. The premium once paid shall not be refunded.

9. In the event of non-payment of the insurance premium for the next year by the member, the insurance cover shall automatically cease. The beneficiary will however be free to rejoin the scheme thereafter on payment of required premium.

10. In case a powerloom worker changes his employment during the period of insurance cover from one unit to another, he / she, being the beneficiary of the scheme, shall intimate about such change to the nodal agency.

11. On receipt of funds from the Government, towards its share of premium, Office of the Textile Commissioner would release the fund to the concerned Regional office of LIC, based on the number of workers enrolled during each month in the concerned region.

12. The above arrangements in effect, amount to each RO/ KSTIDC having maximum of 12 groups in one year and the LIC would issue a Master Policy for each group i.e. a maximum of 12 policies in a year to a RO/ KSTIDC.

13. An amount of Rs.10/- per worker would be earmarked for the purpose of publicity and administrative charges of the scheme unless and until modified.

Claim Procedure: In case of death or disability, nominee/ beneficiary concerned shall submit his/ her claim to the LIC through the Nodal Agency with required documentary evidence such as death certificate/ police complaint (FIR) in the case of accident / post–mortem examination report/ medical certificate/ discharge certificate and other related documents, as applicable. The nodal agency will arrange to forward the same along with the claim papers to LIC i.e.; the Branch which has originally finalised the insurance cover. LIC will settle the claims by sending A/c Payee Cheque / NEFT / RTGS directly to the beneficiary; however, intimation to this effect has to be furnished to the nodal agency concerned.

4.4.5 GROUP WORKSHED SCHEME FOR POWERLOOM SECTOR

The Scheme for Modified Group Workshed for Powerloom Sector is formulated by suitably modifying the existing Group Workshed Scheme for decentralized powerloom sector to organize powerloom units in a cluster and to provide improved working condition in terms of more space, work environment, improve the work efficiency to enhance their competitiveness in the global market. The prime objective of the scheme is to facilitate the establishment of Worksheds for modern looms in an existing or new cluster, which will provide required scale of economy for business operations.

The Worksheds under the schemes includes the space required for setting up of modern machine looms, weaving preparatory & sectional warping machines and other functional requirement.

Under the Scheme, subsidy for construction of Powerloom building would be limited to 40% of the unit cost of construction subject total maximum of Rs. 120/- per sq.ft.

The maximum permissible subsidy per beneficiary shall be restricted to Rs. 12.00 lakhs.

4.4.6 SCHEME FOR INTEGRATED TEXTILE PARK;

The scheme for integrated textile park was introduced to ensure faster development of textile sector. Its details are given below.

Objectives of the Scheme:

a) The ‘Scheme for Integrated Textile Parks (SITP)’ was launched by merging two schemes, namely, Apparel Parks for Exports Scheme (APES) and the Textiles Centre Infrastructure Development Scheme (TCIDS).
b) Primary objective of the SITP is to provide the industry with world-class infrastructure facilities for setting up their textile units. The scheme would facilitate textile units to meet international environmental and social standards.
c) SITP would create new parks of international standards at potential growth centres. This scheme envisages engaging of a panel of professional agencies for project identification and execution.
d) Each Integrated Textile Park (ITP) would normally have 50 units. The number of entrepreneurs and the resultant investments in each ITP could vary from project to project.
e) However, aggregate investment in land, factory buildings and Plant & Machinery by the entrepreneurs in a Park shall be atleast twice the cost of common infrastructure proposed for the Park.
f) The ITPs may also be set up in the Special Economic Zones (SEZs), in which case the special provisions of SEZs would be applicable for them. In case these are set up outside SEZs, proposal may be pursued with the Ministry of Commerce & Industry to declare the ITP as SEZ, if it is so desired here below.

The handloom weaver's comprehensive welfare scheme is detailed below:

4.4.7 HANDLOOM WEAVERS COMPREHENSIVE WELFARE SCHEME

This scheme has two components namely Health Insurance Scheme (HIS) and Mahatma Gandhi Bunkar Bima Yojana (MGBBY). The HIS aims at enabling the weaver community to access healthcare facilities. The scheme covers not only the weaver but the spouse and two children. It also provides outpatient (OP) treatment facility. On the other hand, MGBBY aims to provide insurance cover to handloom weavers in the case of natural as well as accidental death and in cases of total or partial disability. A scholarship of Rs.300/- per quarter per child subject to two children studying in standard IX to XII is also provided under MGBBY.

4.4.8 INTEGRATED SCHEME FOR POWERLOOM SECTOR DEVELOPMENT

The main objectives of the Integrated Scheme are as follows:

a) Modernisation of Powerloom Sector to achieve 12% growth per annum.
b) To assist powerloom weavers, powerloom industry associations and other organizations for marketing their products through organising of exhibitions for the benefit of garment industry and organized sector or general public at regional and cluster level as well as while promoting awareness among the consumers about the latest designs, products and product diversification.
c) To provide infrastructural support for marketing by having permanent outlets to eliminate the middlemen for direct marketing by the powerloom weavers.
d) To empower powerloom industry and build their capacity to meet the challenges of the market and global competition in a sustainable and self-reliant manner.

4.4.9 DIVERSIFIED HANDLOOM DEVELOPMENT SCHEME (DHDS)

Sponsored by-Central Government

Funding Pattern-Rs.72.86 crores for the entire XIth Plan

Description-To provide skill up-gradation of Handloom weavers through training, workshops, exhibitions/workshops, design development, documentation of traditional designs and linkages between various agencies in the handloom sector to enable the weavers to improve productivity & meeting the market requirements, DHDS has been formulated during the 11th Plan.

Beneficiaries-Handloom weavers

Benefits-as per scheme

Details of the Scheme-To ensure a holistic and integrated approach to design development and skill upgradation in the Handloom Sector, a comprehensive Design Development and Training Programme was formulated during Xth Plan This scheme has since been converted to Diversified Handloom Development Scheme (DHDS) during the 11th Five Year Plan. It is a Central Sector scheme having different components which are -Strengthening of Weavers Service Centres/Indian Institutes of Handloom Technology, Research and Developments (R&D), National Centre for Textile Design (NCTD), Conducting 3rd All India Handloom Census and Issuing Identity Cards to Handloom Weavers. It has recently been formulated by the Office of Development Commissioner for Handlooms, Ministry of Textiles with a sole object to providing skill up-gradation of the handloom weavers through training, workshops and exhibitions, design development, documentation of traditional designs and providing linkage and meeting the market requirements.

Eligibility criteria-Handloom Weavers

How to Avail-Through WSCs/IIHTs and Office of DC (Handlooms)

4.4.10 INTEGRATED HANDLOOM CLUSTER DEVELOPMENT SCHEME

Integrated Handlooms Development Scheme (IHDS) implemented during the XI Plan was been formulated as a Centrally Sponsored Plan Scheme by merging the essential components, with or without modifications, of the four schemes i.e. Deen Dayal Hathkargha Protsahan Yojana (DDHPY), Integrated Handloom Training Project (IHTP), Integrated Handloom Cluster Development Scheme (IHCDS) and Work shed-cum-Housing Scheme, implemented during the 10th Plan.

Objectives of The Scheme:

- To focus of formation of handloom weavers groups as a visible production group in selected handloom clusters.
- To assist the handloom Weavers Groups for becoming self-sustainable.
- An inclusive approach to cover weavers both within and outside the Cooperative fold.
- To up-grade the skills of handlooms weavers/workers to produce diversified products with improved quality to meet the market requirements.
- To provide suitable workplace to weavers to enable them to produce quality products with improved productivity,
- Market orientation by associating entrepreneurs, designers and professionals for marketing, designing and managing the production,
- To facilitate process of credit from financial institutions/banks.
- To encourage cooperativisation of weavers.
- Holistic and flexible interventions to provide need based inputs specific to each cluster/group.

(A) **Cluster Development Programme** (Assistance for handloom clusters, having handlooms in the range of 300-500) The cluster development approach focuses on formation of weavers groups as a visible entity so that the groups become self-sustainable. 625 clusters, each covering about 300 to 500 handlooms would be taken up during the XI Plan period. This would also include the 100 clusters for which diagnostic study have been completed during the year 2006-07 and the clusters announced in the Budget for the year 2007-08.

(B) **'Group Approach' for Development of Handlooms** Handloom weavers, who are not covered by clusters will be benefited by a 'Group Approach' which will be implemented in a project mode for development of handloom weavers in a continuous geographical area e.g. a revenue village, block in rural area and wards in urban areas, which have similar production characteristics. A group should have preferable 10 weavers or more which can be in the form of SHG/Primary Weavers cooperative Society/other independent/individual weavers. Director (Handlooms) of the respective State Government will get a baseline survey conducted of eh weavers, outlining the need/requirement of assistance to the weavers and accrual of socio-economic benefits out of such assistance. Bases on this survey, a project report will be prepared on the basis of which financial assistance to these groups will be recommended by SLPC. After due scrutiny by the Office of the DC (Handlooms), assistance will be released towards viable components.

(C) **Financial Assistance to the Handloom Organizations:** Marketing Incentive is given to the handloom agencies for preparing conditions, which are conducive to marketing of handloom products. This would largely be an incentive to the price in competitiveness of handloom sector so that while on the one hand they are able to marginally reduce the price, on the other hand they invest in infrastructure so as to improve the production and productivity. The agency is expected to use this amount towards activities that would attract the consumers in order to gear up overall sales of handloom goods. The assistance towards MI shall be eligible to State Handloom Corps, Apex Cooperative Societies, Primary handloom Weavers cooperative Societies & National Handlooms Organization.

(D) **Assistance for Innovative Ideas & Publicity,** Monitoring, Supervision, Training and Evaluation of Scheme

(D.1) Innovative Ideas Up to 10% of the funds allocated for the Scheme may be utilized towards innovative ideas, which may emerge during he course of implementation of the Programme and might have not been incorporated in the Scheme at the time of approval.

(D.2) Publicity, Monitoring, Supervision, Training and Evaluation of Scheme

i) Up to 2% of the budget allocated for the Scheme may be utilized towards publicity, monitoring, supervision, training of the officials working under the Office of the

Development Commissioner for Handlooms and State Directorate of Handlooms, evaluation of the Scheme.

ii) The Development Commissioner for Handlooms will monitor the implementation of eh projects, with the assistance of independent evaluating agencies, if required. A system of periodic reporting, field visits and review meeting will be used for this purpose.

iii) State Govt. concerned will be responsible for overall implementation and monitoring of the programmes sanctioned to the Implementing/Beneficiary Agencies through the State Govt.

iv) State Govt. will ensure submission of Utilization Certificate and audited accounts for enabling subsequent releases under the IHDS Scheme and also other Schemes of this Office.

v) State Govt. will also submit completion report of the project, evaluation report enumerating in detail the outcome and socio-economic benefits accrued to the weavers.

4.4.11 MILL GATE PRICE SCHEME

Introduction: Government of India has also been providing equity to the NHDC for strengthening its activities. Since strengthening of NHDC by enhancing its capital base is an integral part of its main activity i.e. implementation of the Mill Gate Price Scheme, it has been considered appropriate to merge the component of Investment in NHDC with the Mill Gate Price Scheme. Thus, this scheme titled Mill Gate Price Scheme has two components, namely, (i) Supply of yarn at Mill Gate Price and (ii) Investment in NHDC.

Objectives: The objective of this component is to make available all types of yarn at Mill Gate Price to the eligible handloom weavers so as to facilitate regular supply of basic raw materials to the handloom sector and help utilize the full employment potential of the sector

Scope: The agencies which will be eligible to avail of the benefit of the scheme will be as under:
a) All handloom organizations of National /State/Regional/Primary Handloom level.

b) Handloom Development Centres.

c) Handloom producers/ exporters/ manufacturers registered with HEPC/ any other export promotion council under Ministry of Textiles/Director of Industries/Handlooms of State/U.T.

d) All approved export houses/trading houses/star trading houses for production of handloom items.

e) The Consortium/producers Company formed in the handloom clusters sanctioned under IHDS/IHCDS.

f) Members of recognized/approved handloom associations.

g) NGOs fulfilling CAPART norms.

h) Self Help Groups/ Joint liability Groups.

i) Weaver entrepreneurs. j) Individual handloom weaver and

k) Any other agency approved by the Office of the Development Commissioner (Handlooms), Ministry of Textiles, Government of India.

All types of yarn required for production of handloom items can be made available at Mill Gate Price. The Mill Gate Price means the price at which the yarn is procured from the registered license holders of Silk Exchange in case of Indian Silk Yarn, ex-ware house price for DGFT Registered Importer and landed price (inclusive of C&F and any other applicable port charges) at Indian ports for import by NHDC in case of imported silk yarn, processors/ dye houses in the case of dyed/processed yarn and reputed spinning mills in the case of cotton and other types of yarn. In the case of silk yarn and dyed/processed yarn, NHDC should ensure that all payments from user agencies and NHDC would be made through A/C Payee cheque drawn from their own bank accounts.

Besides the cost of yarn, NHDC shall also bear the transportation expenses on the yarn supplied from the point of procurement, i.e., spinning mills/registered licence holders in the silk exchange and process/dye houses in the case of processed/dyed yarn to the point of delivery i.e., the godown of the agencies situated in their operational area. To facilitate easy accounting of the transportation cost, NHDC shall forward the goods on freight “to pay” basis and the amount paid by the user agencies shall be reimbursed to them in full by NHDC on quarterly basis, on submission of claim bills supported with LR/GR etc. NHDC shall be reimbursed this amount by Government of India. The payment for transportation charges to the user agencies by NHDC shall be made through cheques drawn on its own bank account. In no case, shall NHDC make direct payment to the transporters either in cash or through cheque.

The Government assistance at the prescribed rates will be paid in full after the submission of the audit statement, which will be scrutinized by the Office of the Development Commissioner (Handlooms). In order to enable timely reimbursement of the transportation expenses incurred by the user agencies, NHDC shall be advanced a sum not exceeding Rs.100.00 lakh at the beginning of each quarter to be adjusted against the final claims for the corresponding quarter subject to the condition, that the accounts for the advance given to NHDC in previous years are fully settled by NHDC.

4.4.12 REVIVAL, REFORM & RESTRUCTURING PACKAGE FOR HANDLOOM SECTOR

Introduction: The basic purpose of the package is revival of the Handloom sector and declogging the chocked lines of bank credit to viable/potentially viable weaver’s cooperative societies (WCS) and to the individual weavers. Recapitalisation assistance will facilitate increasing the borrowing power of the Primary weaver’s cooperative societies (PWCS) and enable them to enlarge their client base. The lending institutions (public sector Schedule Com. banks/RRBs/State or District central Cooperative banks/Primary cooperative Agriculture Dev. banks) are expected to provide liberal assistance (weavers Interest Subvention Scheme) to the weavers, who wish to take fresh loan and start weaving related activities. This in the long run will benefit the Weavers Cooperatives and individual Weavers as their credit needs would be met by the lending institution to a large extent.

Beneficiaries: Financial assistance under the package will be provided to:

a) Handloom Weavers Cooperative Societies (HWCS) - who are either viable or potentially viable. The definition of the viability has been indicated in the package guidelines circulated by the Ministry of Textiles, GOI vide its office order no.F.6/2/99/DCH/2011-12/DHDS dt 28/11/2011. The decision regarding the unviable HWCS has to be taken by the State governments (it may be liquidated).

b) Handloom weavers – By waiver of Working Capital and/or Term Loans of Individual Weavers, Self Help Group (SHGs), Joint Liability Groups (JLGs) and Master Weavers. The scheme will cover **direct loans** by the lending institutions subjected to a maximum overdue amount of Rs.50,000 (including eligible portion of interest i.e. 25% of the interest overdue) per individual.

Special Categories of Beneficiaries: North-East states including Sikkim, Jharkhand, Chhattisgarh, Uttaranchal, Himachal Pradesh, and Jammu & Kashmir.

Vetting Authority: Lending Institutions are expected to assess the claims in their branches strictly in terms of the Scheme. The audit may be conducted by concurrent auditors, statutory auditors or special auditors as may be directed by Govt. of India before claims being forwarded to NABARD. Measures like identification of borrowers, display of borrowers list, obtaining undertaking to carry out handloom activity in future and avail fresh credit as per bank terms & conditions etc as prescribed in the scheme may be adhered to. The ultimate responsibility of implementing the scheme successfully rests with the lending institutions

4.4.13 RESTRUCTURED TECHNOLOGY UPGRADATION FUND SCHEME

The objective of the Restructured Scheme is to leverage investments in technology upgradation in the Textiles and Jute Industry, with a special emphasis on balanced development across the value chain. The major objectives of the Restructured TUFS scheme are as follows:-

(a) Address the issues of fragmentation and promote forward integration by providing 5 per cent IR for spinning units with matching capacity in weaving/knitting/processing/ garmenting;

(b) Promoting investments in sectors with low investment like processing;

(c) Reducing the repayment period to 7 years with 2 years moratorium to promote financial efficiency;

(d) Technology upgradation in weaving by providing higher capital subsidy for establishment of new shuttle less looms. This would help to reduce and eventually phase out secondhand looms

(e)Ensuring greater participation of SSI units by increasing the limits under this category;

(f)The eligibility of restructured/ rescheduled cases to be restricted to initial loan repayment schedule and ballooning of subsidy in rescheduled cases to be avoided

(f) Revamped scheme to be structured in such a way that the subsidy out go is not open ended and has a definite cap of Rs. 1972 crores;

(g) Greater administrative and monitoring controls to be introduced with pre-authorization of all eligible claims by the Textiles Commissioner Mumbai, before approvals and intensive monitoring by the Inter Ministerial Steering Committee Chaired by Secretary Textiles.

Table 5.6: State-wise details of subsidy released by Ministry Of Textiles during the year 2012-13 and 2013-14 under RTUFS (Position as on 31.07.2013)

State Name	2012-13		2013-14	
	No. of Cases	Subsidy Released (Rs. In Cr.)	No. of Cases	Subsidy Released (Rs. In Cr.)
ANDHRA PRADESH	165	20.67	45	6.04
ASSAM	4	0.15	0	0.00
BIHAR	2	0.09	0	0.00
CHANDIGARH	19	1.82	2	0.29
CHATTISGARH	1	0.02	2	0.34
DADRA & NAGAR	70	23.22	12	4.05
DAMAN & DIU	22	3.60	4	0.36
DELHI	71	11.48	15	3.48
GUJARAT	2855	179.70	279	25.60
HARYANA	184	14.75	37	2.39
HIMACHAL PRADESH	56	2.80	6	1.27
JAMMU & KASHMIR	5	0.22	0	0.00
KARNATAKA	77	22.19	12	6.23
KERALA	25	0.53	5	0.10
MADHYA PRADESH	119	22.96	25	7.72

MAHARASHTRA	496	74.10	119	15.67
ORISSA	4	0.50	0	0.00
PONDICHERY	7	0.29	0	0.00
PUNJAB	780	81.89	108	19.80
RAJASTHAN	263	35.42	76	10.83
TAMIL NADU	702	34.79	157	11.51
UTTAR PRADESH	85	7.04	32	5.30
UTTARANCHAL	8	0.41	3	2.66
WEST BENGAL	107	10.98	26	4.35
Grand Total	6127	549.62	965	128.01

Source: Lok Sabha Unstarred Question No 48 dated 5.8.2013

4.4.14. Scheme for Technical Textiles:

Objective

Improvement of basic infrastructure in terms of testing facilities, lack of market development support, skilled manpower, R&D, improved regulatory measures, preparation of specifications and standards for technical textiles, etc

Main Components of the Scheme:

To attain the desired aim, Government has launched TMTT with two mini-missions for a period of five years (from 2010-11 to 2014-15) with a fund outlay of US$ 36.36 million, as under:

I. <u>Mini Mission-I (Financial outlay INR156 crore):</u>

a) Upgrade of existing four COEs: The existing COEs will be upgraded in line with new COEs, i.e. with incremental facilities like incubation centres and development of prototypes and provision for appointment of consultants. (Fund allocation US$ 10.18 million)
b) Setting up of four new COEs in Composites, Non-Wovens, Indutech and Sportech (Fund allocation US$ 18.18 million)

II. <u>Mini Mission-II (Financial outlay INR44 crore)</u>

a) Support for Business Start Up (Fund allocation US$ 0.55 million)

b) Fund support for organizing workshops/ seminar (Fund allocation US$ 0.91 million)

c) Support for Contract Research (Fund allocation US$ 2.00 million)

d) Market development support for sale to the institutional buyers (Fund allocation US$ 2.73 million)

e) Identification of regulations required for promotion of technical textiles (Fund allocation US$ 0.91 million)

f) Support for domestic & export market development of technical textiles (Fund allocation US$ 0.91 million)

4.5 EXPORT PROMOTION SCHEMES

4.5.1. DUTY DRAWBACK SCHEME

Introduction and Objective

The duty drawback scheme enables exporting companies to obtain a refund of Customs duty paid on imported goods where those goods will have undergone production, mixing, assembling, or packing and then exported to a foreign port. Only the person who is the legal owner of the goods at the time the goods are exported, or a person to whom this right has been assigned, is eligible to make a claim for duty drawback. According to the Revised Kyoto Convention, the term “drawback” means the amount of import duties and taxes repaid under the drawback procedure.

Duty drawback is provided under Section 19 bis of the Customs Act (No.9) B.E. 2482. It means the refund of import duty already paid or the return of guarantee placed on imports which have undergone production, mixing, assembling, or packing and then exported to a foreign port or as stores for use on board a ship proceeding to a foreign port within one (1) year from the date of importation.

Under Duty Drawback Scheme, an exporter can opt for either All Industry Rate (AIR) of Duty Drawback Scheme or brand rate of Duty Drawback Scheme. Major portion of Duty Drawback is paid through AIR duty. Duty Drawback Scheme which essentially attempts to compensate exporters of various export commodities for average incidence of customs and Central Excise duties suffered on the inputs used in their manufacture. Brand rate of duty drawback is granted in terms of rules 6 &7 of Customs and Central Excise Duties Drawback Rules, 1995 in cases where the export product does not have any AIR or duty drawback rate, or where the AIR duty drawback rate notified is considered by the exporter insufficient to compensate for the Customs/Central Excise duties suffered on inputs used in the manufacture of export products. For goods having an AIR the brand rate facility to particular exporters is available only if it is established that the compensation by AIR is less than 80% of the actual duties suffered in the manufacture of the export goods.

Duty Drawback facilities on re-export of duty paid goods is also available in terms of Section 74 of Customs Act, 1962. Under this Scheme part of the customs duty paid at the time of import is remitted on re-export of the goods subject to identification and prescribed procedure being followed.

A. Scheme for All Industry Rate (AIR) of Duty Drawback:

AIR of Duty Drawback for a large number of export products are notified every year by the Government after an assessment of average incidence of Customs and Central Excise duties suffered on Inputs utilized in the manufacture of export products. This facility is generally availed by the exporters as no proof of actual duties suffered on inputs used is required to be produced.

After announcement of Union Budget every year, new AIR of drawback are notified every year usually with effect from 1st June, after factoring in the changes in duty rates effected by the budget. The Directorate of Drawback requests all Export Promotion Councils/Associations, etc. to collect, collate and furnish representative data in respect of the existing export products as also for any new product which the Councils feel have sufficient export from the country. After the announcement of the Budget various Export Promotion Council/Associations are also consulted by the Joint Secretary (Drawback), and their suggestions as well as their requests and justification for suitable enhancement of rates and also any changes sought in the scheme of the Drawback Table or the entries therein are taken note of while finalizing and announcing new AIRs.

The AIRs are generally fixed as a percentage of FOB price of export product. Often very good export prices are obtained for a product or class of products which have no co-relation with the actual duties suffered on inputs used – which is sought to be refunded to Exporters as drawback. In order to safeguard Government revenue but also be fair to exporters, reasonable duty drawback caps have been imposed in respect of many export products having rates on FOB basis. These caps essentially reflect the average duty incidence suffered on the inputs used in the manufacture of the particular goods exported by several exporters with different prices and they are fixed on the basis of data supplied by the export promotion councils and collected by Directorate from other sources.

The duty drawback claim scrutiny, sanction and payment in 23 Custom Houses is now done through the Electronic Data Interchange (EDI) System. This system facilitates credit/disbursal of drawback within 72 hours from the date of shipment and electronic filing of Export General

Manifest (EGM) in respect of related aircraft/vessel, directly to the exporter's, accounts in the specified bank branches.

Customs notification Nos. 29/2001(NT) dated 1.6.2001 and 30/2001(NT) dated 22.6.2001 refer for ascertaining the details of current All Industry Rates of drawback for various export products.

B. Brand Rate of Duty Drawback Scheme:

In respect of export products where AIR of duty drawback is not notified or where the AIR of duty drawback in considered by the exporter to be insufficient to fully neutralize incidence of duties suffered on the inputs utilized in the production/manufacture of the export product, the exporters opt for Brand Rate Duty Drawback Scheme. Under this Scheme, the exporters are compensated by paying the amount of Customs & Central Excise Duty incidence which is actually incurred on the inputs used in the manufacture of export products. For this purpose, the exporter has to produce documents/proof about the actual quantity of inputs utilized in the manufacture of export product along with evidence of payment of duties thereon.

The exporter has to make an application to the Directorate of Drawbackin prescribed format along with enclosures (in the form of 3 drawback statements called DBK-I, II & III), within 60 days from the date of export of goods. The application has to be submitted to Directorate of Drawback with copies to the concerned Central Excise Commissioner ate which has jurisdiction over the factory of production of export product. The Central Excise Authorities conduct verification of the authenticity/fact of utilization of inputs/payments of duties on the inputs on the basis of records maintained by the factory of the exporter, current production of identical goods, if being effected, etc. A verification report has to be sent to the Directorate of Drawback. The Directorate of Drawback, on the basis of verification report and other relevant documents submitted by the exporter, process and issue drawback Brand Rate Letter to the exporter on the basis of which the concerned Custom House (from where the goods were exported) makes payment of duty drawback. The Brand Rate Letter may be valid for particular export shipment or series of shipment and may also be extended for future shipments for one or more ports on request subject to proof of availability of related raw materials and duty evidence, etc., when verification was carried out.

C. Simplified Scheme of Brand Rate:

Under Brand Rate of Duty Drawback Scheme, a "Simplified Scheme" is also available to limited Companies and registered partnership firms. Under this Scheme, a rate letter for duty drawback is issued prior to receipt of verification report from the jurisdictional Central Excise Authorities on the basis of application made by the exporter subject to certain certification etc. For this purpose, besides application in the prescribed format along with enclosures, the exporter is also required to submit Chartered Accountant/Chartered Engineer's certificate about the authenticity of consumption pattern and duty payments as claimed. An indemnity bond undertaking to pay back the duty drawback being claimed by him if it is found later on verification that the drawback amount paid to him is in excess of the admissible amount, has also to be furnished. In all cases where duty drawback is paid under Simplified Scheme, after receipt of the verification report from jurisdictional Central Excise Authority, the veracity of the application is counter checked with the said verification report and recovery action taken, where ever found necessary.

D. Section 74- Drawback:

In case of goods which were earlier imported on payment of duty and are later sought to be re-exported within a specified period, customs duty paid at the time of import of the goods with certain cut can be claimed as duty drawback by the exporter at the time of export of such goods. Such dutydrawback is granted in terms of Section 74 of the Customs Act, 1962 read withReexport of Imported Goods (Drawback of Customs Duty) Rules, 1995. Forthis purpose, at the time of import, the identity particulars of the goods are recorded at the time of examination of import goods; at the time of export, cross verification of the goods under export is done with the help of related import documents to ascertain whether the goods under export are the very ones which were imported earlier.

Where the goods are not put into use after import, 98% of duty drawback is admissible at the maximum under Section 74 of the Customs Act, 1962. In cases where the goods are put into use in India after import (and prior to its export), duty drawback is granted on a sliding scale basis depending upon the extent of use of the goods. No duty drawback is available if the goods are put into use for a period exceeding 36 months after import. Application for duty drawback is required to be made within 3 months from the date of export of goods.

Eligibility For Duty drawback

If the exports meet the criteria listed below, the import duty already paid or the guarantee placed on such imports shall be repaid or returned as drawback to the importer.

1. The drawback on such imports is not prohibited by the Ministerial Regulations.
2. The quantity of the imports used in producing, mixing, assembling, or packing exports is in accordance with the rules approved or specified by Customs.
3. The goods are exported through a port or place of exit designated for a drawback scheme.
4. The goods are exported within one (1) year from the date of importation of the goods used in producing, mixing, assembling or packing exported goods. In case where there is a force majeure event that causes the delay of such exportation, Customs may extend the aforementioned period by six (6) months.

5. A claim for drawback must be made within six (6) months from the date of exportation of the goods. However, Customs may extend this time limit on a case by case basis.

Eligible Goods for Duty Drawback

1. Raw materials which are obviously seen in the exports e.g. fabrics, buttons, zippers and thread in garments, plastic sheeting in plastic products, etc.
2. Raw materials used directly in the manufacturing process and contained in the exports but not obviously seen e.g. preservatives in canned food, stiffening agents in garments, solvents for glue in cellophane and anti-rust agents in electronic circuits, etc.
3. Raw materials required in the manufacturing process e.g. sizing materials and bleaching agents used in textile products, sand paper, scouring powder, varnish, velvet, scouring agents, chalk, carbon paper and pattern.

Non Eligible Goods for Duty Drawback

1. Machinery, tools, moulds and various appliances e.g. grinding ball for ores, tools and appliances made from tungsten carbide used in the manufacturing of watches, etc.
2. Fuels for manufacturing e.g. fuel oil, firewood, coal, etc.

These schemes have provided various benefits to the firms in textiles sector.

4.5.2 DUTY ENTITLEMENT PASS BOOK SCHEME (DEPB)

Duty Entitlement Pass Book Scheme in short DEPB is an export incentive scheme. Notified on 1/4/1997, the DEPB Scheme consisted of (a) Post-export DEPB and (b) Pre-export DEPB. The pre-export DEPB scheme was abolished w.e.f. 1/4/2000. Under the post-export DEPB, which is issued after exports, the exporter is given a duty entitlement Pass Book Scheme at a pre-determined credit on the FOB value. The DEPB rates are allows import of any items except the items which are otherwise restricted for imports. Items such as gold Nibs, Gold Pen, Gold watches etc. though covered under the generic description of writing instruments, components of writing instruments and watches are thus not eligible for benefit under the DEPB scheme.

The DEPB Rates are applied on the basis of FOB value or value cap whichever is lower. For example, if the FOB value is Rs.700/- per piece, and the value cap is Rs.500/- per piece, the DEPB rate shall be applied on Rs.500/-

Benefits of DEPB Rates:

The benefit of DEPB schemes is available on the export products having extraneous material up to 5% by weight. In such cases, extraneous material up to 5% shall be ignored and the DEPB rate as notified for that export product is be allowed.

Review of DEPB Rates:

The Government of India review the DEPB rates after getting the appropriate a export import data on FOB value of exports and CIF value of inputs used in the export product, as per SION. Such data and information is usually obtained from the concerned Export Promotion Councils.

Implementation of the DEPB Rates:

Some additional facilities as listed below have been provided for better implementation of the DEPB Rates:

a) DEPB rates rationalized to account for the changes in Customs duties.

b) Caps fixed on certain items but there would be no verification of Present market Value (PMV) on such items.

c) A number of ports have been added for availing facilities under the Duty Exemption Scheme, including DEPB.

d) The threshold limit of Rs. 200 million for fixing new DEPB rates removed.

Provisional DEPB Rates:

The main objective behind the provisional DEPB rates is to encourage diversification and to promote export of new products. However, provisional DEPB rates would be valid for a limited period of time during which exporter would furnish data on export and import for regular fixation of rates.

Credit under DEPB and Present market Value:

In respect of products where rate of credit entitlement under DEPB Scheme comes to 10% or more, amount of credit against each such export product shall not exceed 50% of Present Value (PMV) of export product. During export, exporter shall declare on shipping bill that benefit under DEPB Scheme would not exceed 50% of PMV of export product.

However PMV declaration shall not be applicable for products for which value cap exists irrespective of DEPB rate of product.

Utilization of DEPB credit:

Credit given under DEPB Schemes is utilized for payment of Indian customs duty including capital goods, which are free to import.

Re-export of goods imported under DEPB Scheme:

In case of return of any exported goods, which has been found defective or unfit for use may be again exported according to the exim guidelines as mentioned by the Department of Revenue. In such cases 98% of the credit amount debited against DEPB for the export of such goods is generated by the concerned Commissioner of Customs in the form of a Certificate, containing the amount generated and the details of the original DEPB. On the basis of certificate, a fresh DEPB is issued by the concerned DGFT Regional Authority. It is important to note that the issued DEPB have the same port of registration and shall be valid for a period equivalent to the balance period available on the date of import of such defective/unfit goods.

4.5.3 DUTY EXEMPTION SCHEME:

The Duty Exemption Scheme enables import of inputs required for export production. The Duty Remission Scheme enables post export replenishment/ remission of duty on inputs used in the export product.Duty free import of inputs is permitted under the following schemes:

Advance License–

Granted to merchant exporter or manufacturer exporter for the import of inputs required for the manufacture of goods without payment of basic customs duty. However, such inputs shall be subject to the payment of additional customs duty equal to the excise duty at the time of import.

Annual Advance License–

Manufacturer exporter with export performance of Rs. 1 crore in the preceding year and registered with excise authorities, except for products which are not excisable for which no such registration is required, shall be entitled for Annual Advance License.

Export House, This license and/or material imported thereunder shall not be transferable even after completion of export obligation. Such annual advance license shall be issued with positive value addition without stipulation of minimum value addition.

The entitlement under this scheme shall be up to 125% of the average FOB value of export in the preceding licensing year. Imports against this is exempted from payment of Additional customs duty, Special Additional Duty, Anti-Dumping Duty, Safeguard duty, if any, in addition to Basic customs duty and surcharge thereon.

Advance Intermediate License:

This license is granted to a manufacturer exporter for the import of inputs required in the manufacture of goods to be supplied to the ultimate exporter holding an Advance License/Special Imprest License.

Special Imprest License:

This license is granted for the duty free import of inputs required in the manufacture of goods to be supplied to the ultimate exporter holding an Advance License/Special Imprest License.

Such Special Imprest License is granted for the Duty Free import of inputs required in the manufacture of goods to be supplied to the EoUs/units in EPZs/STP/EHTP, holders of license under the EPCG scheme, projects financed by multilateral/bilateral agencies/funds as notified by the Dept. of Economic Affairs, MoF, Fertilizer Plants if the supply is made under the procedure of International Competitive Bidding, supply of goods to refineries and projects/purposes for which MoF permits import of such goods on zero customs duty.

4.5.4 DUTY FREE REPLENISHMENT CERTIFICATE

Duty Free Replenishment Certificate is issued to a merchant-exporter or manufacturer-exporter for the import of inputs used in the manufacture of goods without payment of Basic Customs Duty, Surcharge and Special Additional Duty. However, such inputs shall be subject to the payment of Additional Customs Duty equal to the Excise Duty at the time of import.

a) Duty Free Replenishment Certificate shall be issued only in respect of export products covered under the SIONs as notified by DGFT.

b) Duty Free Replenishment Certificate shall be issued for import of inputs, as per SION, having same quality, technical characteristics and specifications as those used in the end product and as indicated in the shipping bills. The validity of such licences shall be 12 months. DFRC and or the material imported against it shall be freely transferable.

c) The Duty Free Replenishment Certificate shall be subject to a minimum value addition of 33%.

d) The export products, which are eligible for modified VAT, shall be eligible for CENVAT credit. However, non-excisable, non-dutiable or non-centrally vatable products, shall be eligible for drawback at the time of exports in lieu of additional customs duty to be paid at the time of imports under the scheme.

e) The exporter shall be entitled for drawback benefits in respect of any of the duty paid materials, whether imported or indigenous, used in the export product as per the drawback rate fixed by Directorate of Drawback (Ministry of Finance). The drawback shall however be restricted to the duty paid materials not covered under SION.

4.5.5 EXPORT PROMOTION CAPITAL GOODS (EPCG) SCHEME:

OBJECTIVE

The objective of the EPCG Scheme is to facilitate import of capital goods for producing quality goods and services to enhance India's export competitiveness.

EPCG Scheme

(a) EPCG Scheme allows import of capital goods for preproduction, production and post-production at Zero customs duty. Alternatively, the Authorisation holder may also procure Capital Goods from indigenous sources in accordance with provisions of paragraph 5.07 of FTP. Capital goods for the purpose of the EPCG scheme shall include:

1) Capital Goods as defined in Chapter 9 including in CKD/SKD condition thereof;
2) Computer software systems;

3) Spares, moulds, dies, jigs, fixtures, tools & refractories for initial lining and spare refractories; and
4) Catalysts for initial charge plus one subsequent charge.

(b) Import of capital goods for Project Imports notified by Central Board of Excise and Customs is also permitted under EPCG Scheme.

(c) Import under EPCG Scheme shall be subject to an export obligation equivalent to 6 times of duty saved on capital goods, to be fulfilled in 6 years reckoned from date of issue of Authorisation.

(d) Authorisation shall be valid for import for 18 months from the date of issue of Authorisation. Revalidation of EPCG Authorisation shall not be permitted.

(e) In case countervailing duty (CVD) is paid in cash on imports under EPCG, incidence of CVD would not be taken for computation of net duty saved, provided CENVAT is not availed.

(f) Second hand capital goods shall not be permitted to be imported under EPCG Scheme.

(g) Authorisation under EPCG Scheme shall not be issued for import of any Capital Goods (including Captive plants and Power Generator Sets of any kind) for

(i) Export of electrical energy (power)

(ii) Supply of electrical energy (power) under deemed exports

(iii) Use of power (energy) in their own unit, and

(iv) Supply/export of electricity transmission services

(h) Import of items which are restricted for import shall be permitted under EPCG Scheme only after approval from Exim Facilitation Committee (EFC) at DGFT Headquarters.

(i) If the goods proposed to be exported under EPCG authorisation are restricted for export, the EPCG authorisation shall be issued only after approval for issuance of export authorisation from Exim Facilitation Committee at DGFT Headquarters.

Coverage

(a) EPCG scheme covers manufacturer exporters with or without supporting manufacturer, merchant exporters tied to supporting manufacturer and service providers. Name of supporting manufacturer shall be endorsed on the EPCG authorization before installation of the capital goods in the factory premises of the supporting manufacturer. In case of any change in supporting manufacturer the RA shall intimate such change to jurisdictional Central Excise Authority of existing as well as changed supporting manufacturer and the Customs at port ofregistration of Authorisation.

(b) Export Promotion Capital Goods (EPCG) Scheme also covers a service provider who is designated / certifiedas a Common Service Provider (CSP) by the DGFT, Department of Commerce or State Industrial Infrastructural Corporation in a Town of Export Excellence subject to provisions of Foreign Trade Policy/Handbook of Procedures with the following conditions:-

(i) Export by users of the common service, to be counted towards fulfilment of EO of the CSP shall contain the EPCG authorisation details of the CSP in the respective Shipping bills and concerned RA must be informed about the details of the Users prior to such export;

(ii) Such export will not count towards fulfilment of specific export obligations in respect of other EPCG authorisations (of the CSP/User); and

(iii) Authorisation holder shall be required to submit Bank Guarantee (BG) which shall be equivalent to the duty saved. BG can be given by CSP or by any one of the users or a combination thereof, at the option of the CSP.

4.6 CONCLUSIONS

Pre liberalization phase shows the increasing gap between the Five-Year Plan priorities and specific policy priorities, thereby strengthening the view that planning may become irrelevant in the context of liberalisation. Thus while the Seventh Plan identified employment generation as the foremost objective of economic planning, the National Textile Policy (NTP) in contrast by treating productivity and efficiency as the priority concerns sought to create a level playing field by removing hitherto existing restrictions on the mills and powerlooms, meant to protect the large-scale employment - actual and potential -in the vulnerable handloom sector.

Post liberalization phase witnessed a sea change in government policies for the textile sector. It created an enabling environment for businesses to invest, flourish and prosper not only on domestic side but also on the export front. The Government's role in the textile industry has become more reformist in nature. Initially, policies were drawn to provide employment with a clear focus on promoting the small-scale industry. The scenario changed after 1995, with policies being designed to encourage investments in installing modern weaving machinery as well as gradually eliminating the pro-decentralised sector policy focus. The removal of the SSI reservation for woven apparel in 2000 and knitted apparel in 2005 were significant decisions in promoting setting up of large-scale firms. Government schemes such as Apparel Parks for Exports (APE) and the Textile Centres Infrastructure Development Scheme (TCIDS) now provide incentives for establishing manufacturing units in apparel export zones.

Hence a variety of policies, schemes and programmes have been initiated by government from time to time for wellbeing and good health of textile sector. These policy measures have facilitated growth and development of this sector and made it competitive in domestic as well as international market.