CHAPTER THREE

INSTITUTIONAL AND POLICY FRAMEWORK OF INDIAN TEXTILE AND CLOTHING INDUSTRY
Government had formulated and implemented a number of policies and institutions from time to time in the past. In this chapter, these policies and institutions have been briefly described so as to develop a sense of familiarity with promotion of textile endeavours in India. To study these efforts the researcher has divided this chapter into two sections. The first section of this chapter reviews the supporting Institutional arrangements, while section two of this chapter describes the policy frame work evolved so far.

(A) INSTITUTIONAL FRAME WORK
(B) POLICY FRAME WORK

3.1 INSTITUTIONAL FRAME WORK:

Government has established or sponsored a number of organisations to provide different types of assistance to the exporters. An outline of the important organisations which help to promote exports in general and Textile and clothing exports in particular is given below:

3.1.1 (i) Ministry of Commerce: The Ministry of Commerce, Government of India is the most important and apex organisation concerned with the promotion and regulation of the foreign trade of the country. The Ministry has elaborated organisational arrangement to look after various aspects of trade regulation and promotion. The Department Of Commerce in the Ministry of Commerce is assigned a very important role in different matters concerned with foreign trade of the country including commercial relation with other countries, promotion and regulation of foreign trade, state trading etc. matters related to foreign trade are dealt with by the Department of commerce, through its various divisions.¹

3.1.1(ii) Export Promotion Councils (EPC): The Twenty Export Promotion Councils provide advisory and executive functions both to help exporters in different sectors. These are non profit making bodies registered under The Societies Act, and have been assigned the following functions:

1. Bring exporter's problems to the notice of the government.
2. Assisting foreign buyers with information on export capabilities,
3. Gathering commercial intelligence through, market surveys, delegates reports etc.

3.1.1(iii) Federation of Indian Export Organisation (FIEO): As an Apex Body of all export promotion organisation; Federation of Indian Export Organisation has been providing integrated assistance to government recognised export houses since 1965. It coordinates the activities of Export Promotion Councils, Commodity Boards and other agencies with export houses in addition to acting as a Central Co-ordinating agency for consultancy services. FIEO also identified seven thrust areas to promote the exports. The thrust areas identified are hi-tech products, Computer, Agro Based Products, Garments, Engineering Goods etc. 

3.1.1(iv) Indian Institute Of Foreign Trade (IIFT): The Indian Institute of Foreign Trade, registered under the Societies Registration Act, is engaged in the following activities:

1. Training of personnel in modern techniques of international trade.
2. Organisation of Research in problems of foreign trade.
3. Organisation of Marketing Research area, surveys, commodity surveys and market surveys, and
4. Dissemination of information arising from its activities relating to research and market studies.

3.1.1(v) Indian Institute of Packaging (I.I.P.): The IIP, Mumbai a research and development, and educational and technical service organisation setup in 1966, has been entrusted with the responsibility of bringing about improvements in the standards of packaging in the country particularly for exports. IIP has been registered under the societies registration act, 1960. Nearly, 7200 samples of packages and packaging materials were tested for different properties at head office and the three regional centres. 

3.1.1(vi) Export Inspection Council (EIC): This council offers advice to government on enforcing quality control and inspection of commodities meant for exports. It arranges pre-shipment inspection as well as process quality control system and self certification schemes. How ever Recognized Star Trading Houses, trading houses and export houses and units in EPZs and EOUs have been exempted from the purview of compulsory pre-shipment inspection.

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2 Export Promotion And Incentives, 1999-2000, Nabhis Publication 1999 Pg-1

[38]
3.1.1(vii) Indian Council of Arbitration (ICA): Disputes being unavoidable in international trade, the council was set up to solve disputes through arbitration, in association with India's commercial representatives abroad, and the International Chamber of Commerce.

3.1.1(viii) Indian Trade Promotion Organization (ITPO): the ITPO was brought into being in 1992 by merging together the erstwhile Trade Fair Authority of India (TFAI) and the erstwhile Trade Development Authority of India (TDA). The ITPO are to:

(a) Develop and promote exports, imports and upgrade technology through fairs in India and abroad;
(b) Compele and disseminate trade related information;
(c) Organize visit of foreign buyers and trade;
(d) Delegations to industry and trade establishments in India with a view to promoting trade contracts.
(e) Assist Indian company in trade development; Organize export development programmes, buyer-seller meets; and conduct promotion programmes and integrate marketing promotion programmes for the trade and industry in India.

3.1.1(ix) Board of Trade (BoT): The Board of Trade, reconstituted in 1991, is headed by the Commerce Minister, provided a BoT for meaning full dialogue between government and industry. The membership is wide enough to include representatives from the Reserve Bank of India, EXIM Bank and Ministries like Finance, Textile and Industry in addition to the Prime Minister office. The Presidents of FICCI, ASSOCHAM, CII, FIEO as well as a few area specialists are in the board.

3.1.1(x) Export Promotion Board (EPB): The relatively poor performance on the export front during 1996-97 prompted the constitution of a new body known as Export Promotion Board (EPB) in 1997 for taking quick remedial action towards solving problems of exporters. The EPB has taken significant decisions on speeding up clearance of export air cargo, co-ordination among infra-structural agencies.

3.1.1(xi) Offices of Export Processing Development Commissioners: These offices are in the form of Trading Zones, Export Houses and Marketing Centres to promote International trade in the country.
1. **Free Trade Zones**: Set up as conclaves separated from the domestic tariff area by fiscal barriers, EPZs offers better infrastructural facilities and service support such as customs and financial institutions. Industries based in EPZs enjoy several fiscal exemptions and an internationally competitive duty free environment, for each of free trade zones, export processing zones in the country. There is an Office of Department Commissioner responsible administration of zone.

2. **Export Houses and Trading Houses**: Export Houses and Trading Houses, recognized by the government are private business helpful in export development. They benefit from financial assistance from the market development agency for approved activities including participation in international trade fairs sponsorship of trade delegations etc.

3. **Indian International Marketing Centre**: as a result of initiative taken by a group of Indian entrepreneurs with the assistance from the government of India, the centre was set up on November 1996 with the objective of promoting export of Indian products, establishing a marketing centre warehousing facilities and processing activities both in India and abroad, and act as a nodal agency to bring buyers and sellers together.

3.1.1 (xii) Other Government Scheme to Promote Textile Exports: The situation has radically changed with the elimination of quotas from 2005. In anticipation of new opportunities, fresh investments started flowing into the sector for expansion and modernization of existing units as also for setting up of new projects. Government on its part also began playing a proactive role in rejuvenating the industry by correcting anomalies in the old policies and introducing new initiatives. It has initiated several policy measures and schemes for the textile and clothing industry in recent years. These include Technology Up gradation Fund Scheme (TUFS), Technology Mission on Cotton, Apparel Parks Scheme and Textile Infrastructure Development Scheme which have now been merged into a Scheme for Integrated Textile Parks and certain special schemes specifically designed for the decentralized Handloom and power loom sectors. With favourable market conditions within the country and abroad and positive policy inputs from Government, the Indian textile industry has started

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4 Balam Satchit, "Export Promotion in India- A Strategic Perspective," Common Wealth Publication, New Delhi, 1999 New Delhi Pg-98
growing significantly during the last three years.\textsuperscript{5} The impact of all these developments has given a major fillip to the country's textile exports.\textsuperscript{6}

3.1.2 TEXTILES RESEARCH ASSOCIATION\textsuperscript{7}

3.1.2(i) Cotton Textiles Research Association (TRAs) : There are eight Textiles Research Associations (TRAs) receiving financial support from the Ministry of Textiles, of these the following are the Cotton Textiles Research Associations (CTRAs):

(1) Ahmedabad Textiles Industry's Research Association (ATIRA), Ahmedabad : ATIRA worked on about 20 Research & Development (R&D) projects, of which 17 were completed. In addition, need based consultancy was provided to the mills. The accredited cotton testing services of ATIRA were in very high demand during the year due to ever rising international demand for Indian cotton and general awareness about the quality. Nearly 30,000 samples of cotton were tested for various parameters for various clients.

(2) Bombay Textiles Research Association (BTRA), Mumbai : BTRA were directed towards developing cost effective techniques, product innovation, improving product (yarn/fabric) quality, ensuring utilities (energy and water) conservation, improving productivity and machine maintenance. BTRA engaged in 11 research projects in various areas of the textiles sector. BTRA undertook extensive liaison and consultancy services to solve problems of quality, maintenance, productivity, water / energy conservation, techno-economic viability, valuation of fixed assets, vetting revival proposals, equipment verification, control panel valuation, etc., for textiles mills. 11 training programmes covering various subjects such as ISO-17025, lubricants saving, role of electronics in high speed looms, supervisory training in weaving, chemical processing, etc., were conducted by the TRA.

(3) South India Textiles Research Association (SITRA), Coimbatore : SITRA was involved in 24 research projects and 140 consultancies

\textsuperscript{5} \url{www.ministryoftextile.com}
\textsuperscript{6} The Economics Times, 19-Sep-2008, Pp- 12
\textsuperscript{7} \url{www.ministryoftextile.com}
including 2 overseas assignments. SITRA scientists presented 22 papers in various seminars and conferences, and also contributed 31 research papers for publication in various technical/managerial journals. The NABL accredited laboratories of SITRA have tested close to 71,000 samples (fibre, yarn or fabric) for physical and/or chemical analysis. SITRA’s Powerlooms Service Centres offered a wide range of services, including 700 technical consultations, the development of 267 designs, and the testing of 30,000 samples. SITRA’s Computer Aided Design Centres created more than 35 designs and offered 10 training programmes.

(4) **Northern India Textiles Research Association (NITRA), Ghaziabad**:
NITRA were engaged in 4 research projects and developed 6 machines/instruments useful for the textiles industry. They also conducted various customized consultancy services for their clients in the areas of product development, product diversification, cost reduction, quality improvement, ISO-9000 Quality Management. System, pollution control, ISO-14000 Environment Management System, environment auditing, design of effluent treatment plants and water recovery plants, machine design & development, energy conservation, energy audit, manpower planning, process house study, and implementation for setting up Textile & Apparel Institute and Textile & Apparel Park and many textiles related issues.

Like other TRAs, these TRAs of textile industry are promoted private bodies, set up and promoted by the textiles industry of the respective region to carry out research and provide them various services including consultancy, testing, training and research, etc. Their main sources of earnings include Government grants, subscriptions from member-mills, fees from the services etc. Since these have renowned industrialists as their elected Chairmen in overall in-charge of their functions, Government provides full autonomy in their functioning.

3.1.2(ii) **The Synthetic and Art Silk Mills Research Association (SASMIRA), Mumbai**:
SASMIRA, a co-operative R & D institute, is principally engaged in applied research to meet the changing needs of the textile industry. Besides, various other services viz. testing and technical consultancy, HRD (Education & training), powerloom service centres, instrumentation etc. are provided by SASMIRA.
3.1.2(iii) Man-made Textiles Research Association (MANTRA) : The Man-Made Textiles Research Association (MANTRA), Surat is the only Textile Research Association serving the man-made textile industry (decentralised small scale) and is registered under the Societies Act of Gujarat. MANTRA has been in the fore-front in the R&D activities related to man-made fibre textiles. The main objectives of the Association is to carry out research and development and to render other consultancy services to the local, decentralised textiles weaving, texturing and processing industry on various aspects of the textile technology with a view to improving the quality of fabrics, reducing cost and bringing about better utilization of raw materials.

3.1.2(iv) Wool Research Association (WRA), Thane : Wool Research Association (WRA) was established and registered under the Societies Registration Act, 1860 in October 1963. A group of members representing various woollen industries come forward to establish the Research & Development laboratory for the benefit of woollen industry.

3.1.3 TRAINING CENTRES FOR TEXTILE AND CLOTHING INDUSTRY :

3.1.3(i) National Institute of Fashion Technology (NIFT) : NIFT was established by the Ministry of Textiles in 1986 as the apex body for HRD for the textiles, garment and allied sectors. NIFT has recently been given Statutory Status through an Act of Parliament for the promotion and development of education and research in Fashion Technology. This Act empowers the Institute to award degrees to its students passing out from 2007. Through the support of the Ministry of Textiles, the Institute has emerged as an Institution of Excellence in the area of fashion education in the country. A new extension centre was inaugurated at Rae Bareli in Uttar Pradesh on February 13, 2007.

3.1.3(ii) Sardar Vallabhbhai Patel Institute of Textiles Management (SVPITM) : SVPITM was set-up December 24, 2002, as a National level Institute for Textiles Management at Coimbatore, Tamil Nadu, to prepare the Indian Textiles Industry to face the challenges of the post-MFA era, and enable it to establish itself as a leader in the global textiles trade. The Institute had started a Two year full time Post Graduate Diploma in Textiles Management (PGDTM). The Institute has initiated the process to get affiliation to the All India Council of Technical Education (AICTE) and reorganization to its two years Post-Graduate Diploma in Textiles Management (PGDTM), equivalent to MBA. SVPITM has applied to Bharathiar University,
Coimbatore to recognize the Institute as a Research Institute. The Institute entered into a MoU with the Entrepreneurship Development Institute of India, Gujarat for the establishment of a centre for conducting the Open Learning Diploma in Business Entrepreneurship (OLPE).

3.1.3(iii) Apparel Training and Design Centres (ATDC) : The Apparel Industry employs approximately 5 million workers, of which approximately 2.5 million are employed in the export sector. Thirteen Apparel Training and Design Centres (ATDC) are being run by the Apparel Export Promotion Council (AEPC). ATDCs have trained over 21,000 workers since inception. AEPC plans to set up 25 new centres in 13 States, and 13 mobile centres during the Xlth Five Year Plan. These additional facilities will enable ATDCs to train 57,625 trainees in addition to 30,000 students being trained by existing ATDCs. Further, 15,000 students would be trained through mobile centres.

3.1.4 NATIONAL TEXTILES CORPORATION (NTC):

Government policy regarding revival plan of NTC mills : NTC is now trying to revive 22 of the 50 mills remaining through an over Rs. 1,000-crore modernization /relocation programme. It also plans to revive a few other mills through a special joint venture route with private companies that will see NTC retaining 51% stake and thereby board-level control on the special purpose vehicles that will modernize and run these mills. As for these JVs, the investments will come entirely from the private firms which will also have management responsibility. In facts, five mills have already been handed over under JV agreements signed with three firms-- Pantaloon, Bhaskar Industry and Alok Industries. These five mills will turn out to be big garment units and create new employment. NTC is discarding similar JVs for another 12 mills with textile majors like Welspun, Bombay Dyeing and Bhaskar Industries. The Board for Industrial and Financial Reconstruction (BIFR) had approved rehabilitation schemes for sick NTC mills at a cost of Rs 3,900 crore. Of the 66 mills, 65 unviable mills have been closed after implementing voluntary retirement scheme (VRS) to all employees. Government has already constituted assets sale committees comprising representatives of Central and state governments, operative agency, BIFR, NTC and the concerned NTC subsidiary to effect sale of assets through open tender system. Proposals for modernization of NTC mills have been made to the consultative committee members, including formation of a committee of experts to improve management of these mills. NTC is modernizing 22 Mills with latest state-of-the-Art
technology on its own. As on 30.09.2007, there are 16,818 employees in 52 Textile Mills (after closure of 67 mills), with 9.55 lakh spindles, 577 looms producing 400 lakh kgs of yarn and 185 lakh mtrs. of cloth annually. So far, 55,642 employees have opted voluntary retirement under the Modified Voluntary Retirement Scheme (MVRS) and Rs.1951.13 crores have been paid as VRS compensation to all the employees of closed unviable mills and surplus employees of viable mills.

As per approved Modified Revival Schemes, the total cost of modernization of 22 mills was estimated at Rs.530 crores. Out of these 22 mills, modernization scheme is being implemented in 15 mills. The balance 7 mills proposed to be modernized are as under:

- Besides the above, there are 16+2 mills to be revived through Joint Venture Route. Out of this, MOU has been signed with 3 JV partners initially for 5 mills situated in Maharashtra State.
- NTC has submitted a modified revival to BIFR through IDBI on 24.9.07 to expand the capacity in NTC mills when the space is available. 12 (10+2) mills to be closed further when most of the workers opt for MVRS and no production activity in the mills.7

3.2 POLICY FRAME WORK

3.2.1 Government had formulated and implemented a number of policies regarding Promotion of textile from time to time. Theses polices are:

1. Controlled Cloth Scheme for the Weaker Section of Society
3. Textile committees
4. Programmes launched by Government
5. Policy initiative for Textile Industry under the Union Budget 2008-09

1. CONTROLLED CLOTH SCHEME FOR THE WEAKER SECTION OF SOCIETY:

All composite mills were required in 1964 to produce 'controlled cloth' to be sold at Government fixed prices which sometimes did not even cover the cost of production. The stipulated quantity was 45% of the total mill production, later raised to 50% in January 1965. The percentage was reduced to 25% in 1968 and by 1971 the obligation on individual mills was a replaced by an industry wide obligation. The controlled cloth scheme forced the mills to raise the prices of the non-controlled
varieties; thereby adding to the poor competitiveness of the mill made cloth vis-à-vis the output of the decentralized powerloom sector.


Policies are planes or course of actions of a government or a business intended to influence and determine decisions and actions. It is worth nothing that India is the only country in the world, which has separate Ministry of the textile industry, but it can not be denied that only these policies of the government in the past have led to the industry fragmentation leading to the weakening of some of its vital segments. This is evident from the fact that composite mills today account for approximately 5% of total fabric production in the country. The organized mills sector was placed under heavy tax burden in comparison of the decentralised sector in weaving and processing. In comparison to the policies of other countries the notable anomalies are, unachievable export targets, existence of sectoral way of manufacturing, absence of products mix orientation and customer orientation countries, etc.

For the textile industry, the policy framework in India has, till recently, been very restrictive. Under the highly interventionist industrial policy regime, originating under the Industrial Policy Resolution, 1948, the textile industry was one of the eighteen ‘basic’ industries, whose regulation and control was considered necessary in the national interest. It was accordingly, brought within the purview of the very strict regulatory regime of the industries (Development and Regulation) Act, 1951, which prohibited setting up of new capacities or expansion without a license. With the nation’s obsession with the Gandhian ideology, Khadi and the Handloom were perceived as fulfilling the twin objectives of providing employment to the rural masses and producing cheap cloth for human consumption. The government policy had a strong’ anti-mill’ bias to protect the Handloom sector. This resulted in the government reserving in 1950 certain areas of production for exclusive manufacture by Handlooms. This was followed by fiscal levies on Mill Made Cloth in 1952, which increased in severity and scope over the years. In furtherance of this policy, weaving capacity in the mill sector was frozen at the existing level in 1956, with expansion permitted only for exports. These restrictions on textile mills also seem to have been in conformity with the development paradigm of the time provided by the Mahalanobis model, which emphasized the development of heavy industry for the achievement of the growth objective and small scale labour intensive production of essential consumer goods for providing employment.
Textile Policy of 1978: The Textile policy of 1978 in fact recognized that the controlled cloth scheme was a major contributory factor in the spread of sickness in the organized mill sector. The policy proposed a transfer of such cloth to the Handloom sector so that the employment objective could also be served while avoiding the burden on the mills. Till such time, as this could be done, the responsibility would be shouldered by the public sector National Textiles Corporation (NTC).

Textile Policy of 1981: The 1981 textile policy completely exempted the private sector from the controlled cloth scheme and envisaged a complete transfer of controlled cloth production from the NTC to the Handloom sector by the end of the Seventh Five Year Plan (1985-90). The Textile policy pursued contradictory objectives, again partly dictated by the Mahalanobis Model, which attempted to combine essentially antithetical elements of soviet model of development with its emphasis on comprehensive state planning and rapid industrialization with Gandhian economic belief in the efficacy of pre-industrial non-mechanized techniques for the manufacture of yarn and cloth. This resulted in the retarded growth of the modern textile industry. The Mahalanobis strategy constituted a radical departure from the principle of comparative advantage, and deviated sharply from the textile led pattern of growth followed successfully by countries such as Japan. The hold of controls has also made the Indian textile industry, especially its organized sector, less competitive.

Textile Policy 1985: The Textile Policy introduced by the Rajiv Gandhi’s government in 1985 marked a decisive departure from the earlier policies not only in terms of priorities and emphasis, but even in the very way of understanding the textile industry. For the first time in the post-independence period, emphasis has been placed on productivity in sharp contrast to the hitherto thrust on employment.

The 1985 Textile Policy proposed new ways of looking and dealing with the textile industry as a whole, not in terms of sectors (Mill, Powerloom, Handloom), but in terms of stages of the manufacturing process, like spinning, weaving, etc. This obscure many of the specific problems of the Handloom sector. Further, Handloom weavers have been categorized in policy documents on the basis of how production is carried out. That is, weavers are categorized either as independent (one who works on his own, buying yarn, weaving and selling the final product), or as working under the master weaver, or as coming under the co-operative fold. Departing from
this convention, the textile policy recommended that they be categorized on the basis of the quality of weaving (into producers of higher value, medium value and lower-value cloth). The assumption here was that producers of high value cloth will also receive high remunerations, unlike producers of lower-value cloth. Based on this assumption, policy recommendations suggested either a shift in the direction of producing finer cloth, or a shift away from Handloom weaving altogether. The rationale for such an assumption is questionable, since field visits reveal that producers of 'luxury' fabrics are not necessarily well-paid, that is, the 'high value' of the cloth is rarely translated into wage terms.

There is also a shift in terminology and framework - from employment, equality, social justice - to modernization, efficiency, market, productivity and competition. The implications of this shift become apparent only when the actual policy recommendations are looked at. For instance, there is a much clearer recognition of market forces than before. Several of the controls placed - for instance on mills and powerlooms expansion - is withdrawn, while improving efficiency and competition become important. Deregulation of textile industry (i.e., no barriers to expansion and restructuring of mills and powerlooms) and de-control of yarn trade are the two main steps taken here. The Government passed a bill regularizing the power looms, which were until then operating illegally in the same year. As a result, over 5 lakh unauthorized powerlooms were regularized in 1985, this figure was said to have gone up to 8 lakhs by 1990. In 2001, authorized powerlooms were 16.55 lakhs (Ministry of Textiles, 2001), with the total being 34 lakhs inclusive of unregistered powerlooms. These policy measures heightened the tensions between the Handloom and powerloom sectors.

**Economic Reforms And Textile Policy Since 1991** : The economic reforms initiated by the new Congress government at the centre in June 1991 furthered the liberalisation process at work since 1985. One of the principal objectives of the economic reforms package, introduced after the severe balance of payments crisis experienced by the Indian economy in 1990-91, is to boost the foreign exchange reserves. Though it is not within the scope of this essay to go into a detailed discussion of the package, what is pertinent to the understanding of the survival crisis of the Handloom weavers is the clearly perceptible attempt in the last five years to increase exports with a view to earn foreign exchange. Two important reforms that have a direct bearing on the yarn crisis or rather led to the escalation of the crisis are trade liberalisation and devaluation of the rupee to boost exports. As far as the textile
industry, which contributes significantly to our exports, is concerned, these reforms seem to have encouraged an easy, rather less risky way of earning foreign exchange by exporters through cotton and yarn exports, while the export of value added products would involve trading and marketing skills and related risks which the easygoing parasitical exporters are apparently unwilling to take. The government, in its anxiety to somehow earn foreign exchange like a small-time dalal, has allowed free play to this lobby in the name of liberalisation.

Thus from mid-1991, we witness a desperate attempt to allow the export of yarn irrespective of the quantum of yarn production and the domestic requirement. Yarn export rose from 94.68 mn kes in 1991-92 when yarn production as a matter of fact decree from 1,510 mn kgs to 1,450 mn kgs. matter of serious concern is that in the exports the proportion of hank yarn, mi of it being in low counts, was 86.8 per cent! a result hank yarn prices rose from 18 to 2( per cent. To be precise, while the price 40s count rose by rupees 10 per kg the price of 60s and 80s counts were between 21 and 25.50. While the periodic increase in yarn prices is within the experience oft weavers, whose adjustment to it, in the market unfriendliness for Handloom product price increase does not match price increase), through a cut in their wag is a story of tenacity and instinct of average weaver to survive with a minimum, a sudden and unexpected in prices is something which pushes the beyond the limits of endurance. It is pertine to note that the master weavers, production more than three-fourths of Handloom clot respond to such crises through corresponding cut in the wages [Srinivasu 1994].

Yarn Supply Schemes: Though the New Textile Policy (NTP) promised "to ensure adequate availability of yarn" to the Handlooms at reasonable prices and intended to keep up this promise through the provision of hank yarn obligation by the spinning mills and by preventing its violation by them through its recon version into cone yarn (used in the mechanized sector) and its diversion to the powerlooms, the Handlooms crisis has clearly demonstrated the government's failure in this regard. As a specific response to the Handloom crisis, the government introduced the Mill Gate Price Scheme (MGPS) and Hank Yarn Price Subsidy Scheme (HYPSS). Under the MGPS while the yarn supply target was 10 mn kg's, the yarn actually supplied to the weavers during 1992-93 was 1.6 mn kgs during 1993-94 it was 4.94 mn kgs. The HYPSS provided for the supply of 20 mn kgs of hank yarn with a subsidy of Rs 15 per kg to the weavers in the co-operative sector. It must be noted that the fund of Rs. 30 crores allocated to this scheme was in fact carved out of the budgetary provision
for the Janata Cloth Scheme (JCS). Even this scheme, in its implementation, failed to make yarn available to the distressed weavers, if the AP experience is any indication. According to Pragada Kotaiah no yarn was supplied to the weavers in AP under this scheme. While the per annum requirement of hank yarn in the country is around 460 to 480 mn kgs, the yarn supply target under these two schemes is a mere 5 per cent of the total requirement.

**National Textile Policy (2000):** The Textile Policy of 2000, based on the Satyam Committee (1974) report had the objective of making India a global player in textile production and exports. It set the target of increasing textile exports in value terms by around five times in the next decade. To achieve this, it de-reserved garment-making from the small-scale sector and threw it open to private investment. Its ‘facilitative’ policies included allowing 100% foreign direct investment in the textile sector, encouraging the private sector to set up integrated textile complexes, further liberalizing cotton yarn export, earmarking funds for technology upgradation [over Rs. 200 crore], mainly for setting up automatic looms, etc. None of these actually address the main problems of traditional Handloom and increasingly even small, powerloom weavers. The emphasis on productivity has ignored the employment and sustainability potential of the industry. The National Textile Policy-2000 was announced by Union Ministry for Textiles on 2nd November, 2000. The highlights of the new textile policy are enumerated below:

A suitable policy framework for the Handloom sector has to be one that understands the strengths and needs of the industry and is willing to make the necessary investments in infrastructure, institutions and capacities. There have been a number of state support structures for input supply as well as for technical, design and marketing assistance. In terms of institutional design, most of them are centralized, and do not address the specific needs of the dispersed Handloom production base. It is ironic that while these institutions were designed to meet specific needs in the Handloom sector, in terms of design, they have replicated the centralized models of other industries. Given the vast skill base of weavers and the market demand, it is clear that right kind of investment in the industry can turn it into a gainful occupation and a thriving industry. Although the development of textile sector was earlier taking place in terms of general policies, in recognition of the importance of this sector, for the first time a separate Policy Statement was made in 1985 in regard to development of textile sector. The textile policy of 2000 aims at achieving the target of textile and apparel exports of US $ 50 billion by 2010 of which
the share of garments will be US $ 25 billion. The main markets for Indian textiles and apparels are USA, UAE, UK, Germany, France, Italy, Russia, Canada, Bangladesh and Japan.

Objectives: The objectives of the policy are to-

- Facilitate the Textile Industry to attain and sustain a pre-eminent global standing in the manufacture and export of clothing;
- Equip the Industry to withstand pressures of import penetration and maintain a dominant presence in the domestic market;
- Liberalize controls and regulations so that the different segments of the textile industry are enabled to perform in a greater competitive environment;
- Enable the industry to build world class state-of-the-art manufacturing capabilities in conformity with environmental standards, and for this purpose to encourage both Foreign Direct Investment as well as research and development in the sector;
- Develop a strong multi-fibre base with thrust of product Upgradation and diversification;
- Sustain and strengthen the traditional knowledge, skills and capabilities of our weavers and craftspeople;
- Enrich human resource skills and capabilities, with special emphasis on those working in the decentralised sectors of the Industry; and for this purpose to revitalize the Institutional structure;
- Expand productive employment by enabling the growth of the Industry, with particular effort directed to enhancing the benefits to the north east region;

Thrust Areas: In furtherance of the objectives, the strategic thrust will be on:

- Technological Upgradation
- Enhancement of Productivity
- Quality Consciousness
- Strengthening of the raw material base
- Product Diversification
- Increase in exports and innovative marketing strategies
• Financing arrangements
• Maximizing employment opportunities
• Integrated Human Resource Development

**Important Targets and Outputs**: The endeavour will be to-

• Achieve the target of textile and apparel exports from the present level of US$ 11 billion by 2010 of which the share of garments will be US$ 25 billion.
• Implement vigorously, in a time bound manner, the Technology Upgradation Fund Scheme (TUFS) covering all manufacturing segments of the industry;
• Assist the private sector to set up specialised financial arrangements to fund the diverse needs of the textile industry;

**Powerloom Industry**: The powerloom sector occupies a pivotal position in the Indian textile industry. However, its growth has been stunted by technological obsolescence, fragmented structure, low productivity and low-end quality products. The focus will therefore be on:

• Technological Upgradation
• Clustering of facilities to achieve optimum levels of production;
• Review of the Policy of SSI Reservation for this sector;
• Encouragement to Technology Upgradation and expansion of capacity; and
• Introduction of support systems for commercial intelligence, design and fashion inputs.

**Processing and Finishing**: Processing is the weakest link in the textile production chain, and results in loss of potential value. To bring about the necessary improvement;

• Government will encourage setting up of modern processing units, meeting international quality and environmental norms;

**Clothing**: The role of this sector is poised for radical changes in view of the changes in the international trading environment brought about by the rules and regulations of the WTO. The industry will be restructured as follows:

• The office of the Textile Commissioner will focus attention on the development of the garment industry;
• Garment industry will be taken out of the SSI reservation list;
• Joint ventures and strategic alliances with leading world manufacturers will be promoted;
• Set up a Venture Capital Fund for tapping knowledge based entrepreneurs of the industry;
• Encourage the private sector to set up world class, environment-friendly, integrated textile complexes and textile processing units in different parts of the country;
• De-reserve the Garment industry from the Small Scale Industry sector;
• Facilitate the growth and strengthen HRD Institutions
• Transform right size and professionalize all field organizations under the Ministry of Textiles to enable them to play the role of facilitators of change and growth.

Sectoral Initiatives: Within the framework of the Policy, the following sector-specific initiatives will be taken:

Raw Materials: The thrust will be on improving the availability, productivity and quality of raw materials at reasonable prices for the industry. Necessary capabilities, including R & D facilities for improvement of fibre quality and development of specialised fibres/yarns. The Endeavour will be to make available different varieties (from standard to specialised) of textile fibres/yarns of internationally quality at reasonable prices. The multi-fibre approach of providing full fibre flexibility will be continued. Though cotton is expected to continue to be the dominant fibre, special attention will be given to bring the balance between cotton and non-cotton fibres closer to international trends.

Cotton: The primary aim will be to improve production, productivity and quality, and stabilize prices. The Technology Mission on Cotton will be the instrument for achieving these parameters. Ministry of Textiles, Ministry of Agriculture, Cotton growing States, farmers and industry associations will be actively involved in the implementation of this Mission.

Man-Made Fibre: Full fibre flexibility between cotton and man-made fibres and consumption of specialised man-made fibres/yarns will be encouraged. Non-standard denierages in man-made filament yarn and spun yarn will be phased out and BIS standards harmonised with world standards. Special attention will be given to the production of fibres required for technical textiles.
Silk: Focus will be on achieving international standard in all varieties of silk. Steps will include:

- Improving Research & Development and the effective transfer of technology at all stages;
- Considerably improving the production of non-mulberry varieties of silk;
- Augmenting efforts for the spread of bivoltine sericulture;
- Encouraging clustering of activities of reeling and weaving and strengthen linkages between the producers and industry;
- Periodically reviewing the import policy for raw-silk taking into account the balanced interests of the Seri culturists as well as the export manufacturers.

Wool: In order to augment availability of quality wool, the following measures will be initiated:

- Take up collaborative research projects with the leading wool producing countries of the world;
- Encourage private breeding farms to increase productivity;
- Promote private sector linkages for marketing of wool;
- Establish pre-loom and post-loom processing facilities;
- Take up an integrated development programme for angora wool.

Spinning Sector: Despite the thrust given by the Textile Policy of 1985 to the spinning sector, resulting in considerable modernisation, 80 percent capacity utilisation, and a 20 percent share of global cotton yarn exports, cotton spinning still suffers the problems of over-capacity and of obsolete spindleage. This policy will continue the effort to modernise and upgrade technology to international levels, and take the following steps, in cotton spinning as well as the worsted woollen sectors:

- Encourage the spinning sector to continue to modernise;
- Liberalize and encourage export of cotton yarn; and
- Review from time to time the hank yarn obligation while ensuring supply of adequate quantity of yarn to the Handloom sector.

Weaving Sector: Despite a 58% global share of looms, consisting of 3.5 million Handlooms and 1.8 million powerlooms, technology still remains backward.
This sector, critical to the survival of the Indian textile industry and its export thrust, will be rapidly modernised. Clustering of production facilities in the decentralised sector will be encouraged to achieve optimum size and adopt appropriate technology. The Government will facilitate harmonious development of all the segments of the fabric manufacturing sector. The balanced growth of these sectors will be achieved based on their intrinsic strengths and capacity to meet the demands and requirements of the domestic as well as international markets.

Organised Mill Industry: Efforts will be made to restore the organised mill industry to its position of pre-eminence to meet international demand for high value, large volume products. For this purpose, the following measures will be initiated:

- Integration of production efforts on technology driven lines;
- Encouragement to setting up of large integrated textile complexes;
- Strategic alliances with international textile majors, with focus on new products and retailing strategies;
- Creation of awareness and supportive measures for application of IT for upgradation of technology;
- Enhancement of efficiency, productivity and quality, better working environment and HRD.
- Schemes with necessary infrastructural facilities for the establishment of textile/apparel parks will be designed with the active involvement of state Governments, Financial Institutions and the private sector; and
- Setting up of strong domestic retail chains to ensure easy availability of branded Indian products will be encouraged.

Employment Protection: Government recognizes that employment protection in a terminally sick industrial unit is neither conducive to efficient allocation of scarce resources nor incremental employment generation. Hence, emphasis will be laid on a pragmatic and rational exit policy with adequate protection of the workers' interests. Appropriate measures will be taken, including review of the existing Textile Workers' Rehabilitation Fund Scheme, to mitigate the problems of displaced workers, on whom the consequences of closure of private mills, with no terminal or statutory benefits being given, have been serious. The earlier policy of not taking over nationalizing sick units will be continued. As regards the unviable Public Sector Undertakings such as National Textile Corporation and National Jute
Manufacture Corporation, various options for strategic partnerships or privatisation will be explored. Non-viable mills will be closed down with provision for an adequate safety-net for the workers and employees.

**Exports**: Textile exports play a crucial role in the overall exports from India. With the objective of increasing exports to US$ 50 billion by 2010 from the present level. The thrust will be on:

- Establishing a multi-disciplinary institutional mechanism to formulate policy measures and specific action plans, including those relating to the WTO; and closely monitoring financing proposals;
- Forging of strategic alliances for gaining access to technology;
- Operating a brand equity fund exclusively for textile and apparel products, consistent with WTO norms.
- Restructuring AEPC and other Export Promotion Councils play the role of facilitators and professional consultants;
- Developing infrastructural facilities in the predominantly textile and apparel export oriented areas in close co-operation with state Governments and Financial Institutions and the private sector; and
- Evolving a suitable mechanism to facilitate industry associations to deal with disputes under the various agreements of the WTO.

**OTHER THRUST AREAS**:

**Human Resource Development**: HRD assumes new significance with inescapable competition facing Indian textile products both in the international and domestic markets. Government will support programmes of organizations and institutions engaged in HRD that address the professional manpower needs of the industry, as well as at the cutting edge level of workers and shop floor supervisors. Institutions will be encouraged to network and synergistically co-operate amongst themselves. It will become an integral part of HRD effort.

**Fiscal and Financing Arrangements**: A growth-oriented fiscal road map will be-drawn up, which has the advantage of predictability. The parameters within which the multi-level duty structure and rates of levies will be reviewed and rationalized will include the thrust on exports, the fiscal regime of major competing countries, WTO consistency, and the need to keep prices at levels affordable to the largely poor
consumers, who will continue to form the bulk of the market. Funding requirements of different segments of the textile industry will be periodically reviewed and short-term and long-term requirements spelled out. Innovative measures for tapping public and private sector funding will be worked out. The endeavour will be to:

- Encourage the private sector to take the initiative in participating in financing of specific needs of the textile industry;
- Set up a Venture Capital Fund in consultation with and involvement of financial institutions for the promotion of talented Indian Designers, Technologists, innovative market leaders and e-commerce ventures;

**Delivery Mechanisms for Implementation of the Policy**: Organizations working under the Ministry of Textiles will be re-oriented, right sized and restructured to act as facilitators instead of regulatory bodies, with the mandate and role of each being reviewed and redefined over the next two years. Simultaneously, regulations and controls will be reviewed and progressively reduced. Some of the specific changes will be:

Export Promotion Councils will be restructured so as to become capable of devising dynamic export strategies; promoting financing; disseminating information on various aspects of the WTO agreements; extending legal advice to trade and industry in dispute settlements, etc.

3. **TEXTILE COMMITTEES**:

The Abid Hussain Committee (1990) was set up to review progress of 1985 policy. It categorized weavers into high, medium and low based on their earnings. It also advocated appropriate institutional supports in input and marketing. In view of the unprecedented crisis in Handlooms following the suicide of Handloom weavers in different parts of the country,

Mira Seth Committee on Handlooms was set up in 2000. The focus of the committee was on increased earnings to weavers. It recommended the strengthening of existing provisions for timely and adequate credit, technological upgradation and so on. It also emphasized modernized design training of weavers to meet the challenges of globalization. In short, the Mira Seth Committee Report recommended an export-oriented strategy for the survival of Handlooms. The committee recommended the reduction of items reserved for Handlooms from 22 to 11, which was implemented by 2000.
Shivaraman Committee (1974) noted the alarming rate of growth of powerlooms (the overall growth rate in powerloom sector being 9.7 per cent per annum and that of the cotton powerlooms being 21.94 per cent per annum between 1963 and 1974) and duly recommended strict restrictions on both the permission to set up new powerlooms as well as on the varieties to be manufactured, the expansion in this sector went unhindered. While there are problems with the data on powerlooms it could nevertheless be noted with some degree of certainty that between 1975 and 1982-83 while the overall growth of powerlooms was 11.7 per cent per annum, the growth of cotton powerlooms was 14.94 per cent. Though in terms of percentage points, the rate of growth of powerlooms between 1975-76 and 1982-83 was less than that between 1963 and 1975, in numerical terms the growth of powerlooms was phenomenal, that is, by 1982-83 2.3 lakh new cotton powerlooms were added to 1.93 lakh cotton powerlooms estimated in 1975, while with the overall addition of around 2.90 lakh powerlooms the total tally of powerlooms went up to 6 lakh and with another one lakh sixty thousand awaiting regularisation. Given the cost effectiveness and price advantage in the textile market that the powerloom products have over Handloom cloth, the phenomenal growth in powerlooms could only be characterised as leading to the 'cannabilisation' of Handlooms. But curiously enough this is not reflected in the available Handloom statistics of 1974 and 1987-88. Going by the Shivaraman Committee's estimate, the addition of 2.90 lakh powerlooms should have displaced 17.4 lakh Handlooms (at the displacement rate of 6 Handlooms per every new powerloom), which in turn means a loss of 41.76 lakh jobs per annum in the Handloom sector (at the rate of 2.4 persons employed on each Handloom). But the 1987-88 Handloom census show a decline of Handlooms to the tune of 2.39 lakh and another 2.46 lakh recorded as being rendered dormant. This is a gross underestimation that makes the Handloom figures suspect unless one wishes to assume that Handlooms coexisted very happily with the phenomenally growing powerloom sector, withstanding the intense competition from the latter.

4. PROGRAMMES LAUNCHED BY THE GOVERNMENT DURING LAST FEW YEARS:

1. Policy Initiative For Handloom
2. Weavers Cooperative Societies (WCSs)
3. Virtual Clearing House for The Purchase of Yarn
4. Encourage Private Investment
5. Flagship Schemes

- Technology Upgradation Fund Scheme (TUFS)
- Scheme for Integrated Textiles Park (SITP)
- Technology Mission on Cotton (TMC)

6. Economic Research and Market Intelligence Unit (ERMIU)

7. National Centre for Textile Design (NCTD)

8. Textile Centres Infrastructure Development Scheme (TC1DS)

9. Rajeev Gandhi Shilpi Swasthya Bima Yojana

**Policy Initiative for Handloom**: Today, Indian Handloom products whether in silk or cotton, retain their pride of place as unique and exquisite creations appropriate for, every occasion demanded by the customer. Progress of this sector is an important plank of the development strategy of the Govt. of India. Policy interventions by the government must seek to bring the Handloom sector more in line with the post-liberalization economy, making it more competitive and helping it to break into mainstream markets. Towards these objectives, policy interventions must focus on the following:

1. **GOVERNMENT POLICY FOR HANDLOOM INDUSTRY**:

The Handloom sector is known for its heritage and the tradition of excellent craftsmanship. It provides livelihood to millions of weavers and crafts persons. The industry has not only survived but also grown over the decades due to its inherent strengths like flexibility of production in small quantities, openness to innovation, low level of capital investment and immense possibility of designing fabrics. Government will continue to accord priority to this sector. Steps would be taken to promote and develop its exclusiveness for the global market. Measures will include the following:

Training modules will be developed for weavers engaged in the production of low value added items, who may not be able to survive the competition consequent on globalisation, with the objective of upgrading their skills to enable them to find alternate employment in the textile or other allied sector; comprehensive welfare measures will continue to be implemented in close cooperation with the State Governments, for better working environment and the social security of the weavers; effective support systems in research and development, design inputs, skill upgradation and market linkages will be provided; the implementation of the Hank
Yarn Obligation Order and the Reservation Orders issued under the Handloom (Reservation of Articles for Production) Act 1985 will be reviewed keeping in mind the needs of the Handloom weavers.

Weavers Service Centres will be revamped in consonance with the contemporary trends, and, using Information Technology for efficacy, their activities suitably dovetailed with activities of centres of design excellence like NIFT and NID; as merchandising and marketing will be central to the success of the Handloom sector, the present package of schemes for production of value added fabrics will be streamlined; innovative market-oriented schemes will be introduced; and joint ventures encouraged both at the domestic and international levels. Brand equity of Handlooms will be commercially exploited to the extent possible.

Textile Policy 1985 and Handloom: The Handloom sector occupies an important place in the Indian economy as a major provider of employment next only to agriculture. Within the textile industry, it is this sector which accounts for a large proportion of employment, of which the participation of women and children in both the weaving and related activities is quite significant. According to the 1987-88 Handloom Census there are estimated to be about 2 to 2.5 million directly dependent on Handloom weaving and another one million on related activities for their livelihood.8 The weavers' organisations put the figure much higher: according to whom there are about two crore weavers working on 30 lakh Handlooms and an equal number engaged in pre- and post-weaving related operations.9 In due recognition of the significant employment potential of this sector, after independence successive governments have both in the plan priorities as well as in the textile policy pronouncements sought to provide a prime place to the Handlooms through elaborate safeguards, the most significant being: reservation of articles for exclusive production on the Handlooms, imposition of quota and product restrictions on mill sector and discouragement of powerloom expansion through stringent regulations regarding their registration. It is quite a different thing whether these policy commitments were kept in practice in letter and spirit. But what is important to note is that in principle safeguarding the Handloom sector has been seen not only as a viable solution to the ever-increasing unemployment problem but also as a means to provide/ cheap cloth to the poor. The 1985 Textile Policy though it made a major

8 Hindustan Times, 24-12-2008, Pp. 6
9 http://www.expressstextile.com
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 realise their full potential and ensure higher earnings to the weavers" [GOI 1985:4].

The measures intended to preserve the Handlooms are:

(a) Modernisation 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 fibre adequately available at reasonable prices by increasing domestic production supplemented by imports.

(e) Providing market facilities; and

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

**Handloom Reservation Act :** Handloom (Reservation of Articles for Production) Act, 1985 (22 of 1985) reserving 22 varieties of articles for exclusive production in the Handloom sector is a major concrete initiative in the direction of protecting Handlooms from the powerloom and mill sectors. In spite of the promise made in the textile policy that this act "shall be strictly enforced and the machinery for doing so shall be suitably strengthened" [GOI 1990: 4] the track record of the last decade points to the contrary. The story of this act deserves to be narrated for it clearly illustrates how whatever limited legal safeguards the artisanal communities in our society may have are diluted and rendered ineffective, through a combined effort of the powerful private capitalist vested interests.

When the ground was cleared for the execution of the act, the liberalisation regime, instead of implementing the act by creating a proper institutional mechanism to effectively control any further damage to the Handloom sector, constituted a multi-member committee to go into the very question of Handloom reservations. Thus the whole issue in its serpentine sojourn has practically turned a full circle to arrive at the point from where it has to begin afresh. In any case, the snail's pace of its
implementation and the shockingly low number of cases of violations noticed - a mere 656 First Information Reports (FIR) were lodged out of 72,553 powerlooms inspected up to January 1995 [GOI 1995: 12] when violation of the act by powerloom owners is more a norm than the exception - only point to the might of the forces the Handloom weaver has to protect himself from.

The textile industry presents a dynamic sectoral interrelationship. Thus for the assessment of loom position and weaver status in the Handloom sector, given its structural disadvantages in the competitive textile market, it is necessary to examine the performance of other sectors. The high-powered committee of the Planning Commission (1974) headed by Shivaraman Committee noted that for every powerloom set up, six Handlooms are rendered dormant - which means that for every job created in the powerloom sector 14 Handloom weavers are displaced. (It has been calculated that per weaver productivity in the powerloom sector is 14 times more than that in the Handloom sector.) The Govt. of India is committed for the development of the Handloom Sector and proposes to take several measures for holistic and integrated development of Handlooms by following a cluster approach in a phased manner, dissemination of Handloom mark and its adoption, technological up-gradation of machinery and equipment at various stages of production like pre-loom, post loom, on-loom and quality control of the fabric, setting up of more yarn depots to ensure availability of yarn and also, to stabilize the market prices, accreditation of Primary Handloom Weavers Cooperative Society, Restructuring of Handloom Organizations, availability of the credit at lower rate of interest etc.

In view of the high employment and cost disadvantage faced by Handlooms compared to mill sector due to the manual nature of production, the Government of India has been following a policy of protection of the Handloom Sector since long. This policy consists of subsidy for production and yarn supply, marketing etc. The Handloom (Reservation of Articles for Production) Act, 1985 also extends statutory protection to the Sector, by reserving textile articles for exclusive production by Handlooms. Besides this, emphasis is given on encouraging and assisting excellence in craftsmanship in order to enable it to carve out a niche for itself based on design & products and for this purpose, the Govt. extend assistance for skill upgradation, technological improvement, marketing, integrated development of Handloom cluster, welfare of measures etc.

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Handloom Development Centres Scheme: Another scheme announced in September 1993 deserves to be examined both for its generous promise and a whopping cost of Rs 849.15 crore it involves. Under this scheme 3,000 Handloom Development Centres (HDCs) and 500 Quality Dyeing Units (QDUs) are to be set up with an assistance of Rs 27 lakh per QDC and Rs 7.83 lakh per QDU and phased over four years starting from 1993-94 and completed by the end of the Eighth Five-Year Plan. What is fantastic about this scheme is its promise to provide a complete package of assistance to the Handloom weavers in an integrated and co-ordinate manner by "bringing 30 lakh a weaver with 7.5 lakh looms in the cooperative fold so that the benefits of all the various schemes accruing to the Handloom co-operative are available to them". Thus the weavers covered by HDCs would be provided with the raw materials, i.e., yarn and dyes, training in improved dying and designing, and marketing of the production. [GOI nd: 1-22]

The pace at which this scheme has been implemented, as the figures for the first two years show, runs contrary to its lofty promise. While during 1993-94 only 267 HDCs and 66 QDUs were sanctioned at a cost of Rs 10 crore, during 1994-95 around 605 HDCs and 134 QDUs were sanctioned with Rs 40.18 crore. These figures are uniformly far below the targets set. In AP, for instance, where during this period 80 HDCs and 36 QDUs with 6.61 crore were sanctioned these centres have yet to start functioning. If the experience of Andhra, where periodic crisis received immediate attention, is any indication one can very well imagine the situation in other states.

The study of the NTP clearly 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 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.

Integrated Handloom Cluster Development Scheme: Under the Integrated Handloom Cluster Development Scheme, 20 Handloom clusters have been set up in the first phase at an estimated cost of Rs. 40.00 crores. In 2006-07, the Government

[63]
identified 100 additional clusters for their integrated and holistic development at an outlay of Rs.50.00 crore. These clusters will be developed in a time frame of about three years. Diagnostic study of these clusters has already been completed. These clusters along with other additional clusters will be taken up for development under the new "Integrated Handlooms Development Scheme".

Other policy Initiatives for Handloom: The Govt. of India has been implementing a number of developmental & welfare schemes in Handloom Sector. Some of the schemes being implemented by Govt. of India are as follows:

I. Integrated Handloom Cluster Development Scheme: The scheme is for development of Handloom clusters in an inclusive and holistic manner to build up their capacity to meet the challenges of the market and global competition in a sustainable and self reliant manner. 20 clusters have been taken up for development at the total cost of Rs. 40.00 crore.

II. Health Insurance Scheme: This scheme has been launched in Nov. 2005 in collaboration with ICICI Lombard. The unique feature of the scheme is that it covers the weaver, his wife and two children. Also, pre-existing diseases are covered upto Rs. 15, 000 per annum. The annual premium is Rs. 1000/-, out of Rs. 8007- is contributed by Government of India (GOI) and Rs. 2007- by weaver. Under the Scheme, 2.97 lakh weavers have been covered during Oct. 2005-06.

III. Mahatma Gandhi Bunkar Bima Yojana: This scheme has been launched in Oct. 2005 in collaboration with LIC of India. Under the scheme, an insurance coverage of Rs. 50, 000 is provided in case of natural death and Rs. 80,000 in case of accidental death besides other benefits. Weaver contribution is Rs. 807- per annum. Under the Scheme, 2.77 lakh weavers have been covered during 2005-2006.

IV. Re-structuring of Handloom Apex Societies/Corporations: four Handloom Organizations - Co-optex, Andhra Pradesh Handloom weavers' Cooperative Society, Karnataka Handloom Development Corporation & UP Handloom Corporation have been assisted in last 2 years.

V. Handloom Mark: This has been introduced in June 2006 by the Govt. to give distinct identity to the Handloom products for boosting their sales in domestic and foreign markets. Under the Scheme, 287 units have been registered and 4.23 lakh labels have been distributed.
VI. **Technology Up-gradation Scheme**: The scheme has been introduced with an objective to improve the productivity and quality of the Handloom products by up-grading the technology at various stages of production. Under the Scheme, 25 per cent capital subsidy or Rs. 20.00 lakh, whichever is less is provided for purchase of new machines & equipments.

VII. **Setting up of Yarn Depots**: The Govt. has opened 273 more yarn depots in August 2006, in addition to existing 110 depots mostly in the Handloom clusters having at least 1000 Handlooms to ensure adequate availability of yarn at reasonable prices.

VIII. **Development of additional 100 Clusters**: Govt. has taken up additional 100 Handloom clusters having less than 5000 Handlooms for their integrated and holistic development at a total cost of Rs. 50.00 crore and their diagnostic studies are being carried out.

IX. **Integrated Handloom Training Project**: This scheme aims to upgrade the technical and managerial skills of Handloom weavers/ workers. Under the Scheme, 18,700 weavers, workers have been trained in 2005-06 as against 8,020 weavers; in 2004-05.

X. **Handloom Export Scheme**: This aims to provide financial assistance for boosting the export of Handlooms. With these interventions, the Handloom Sector has witnessed a significant diversification in terms of new designs, new products and new markets. Also, the production of Handloom fabric, which declined in 2002-03 & 2003-04 has now recovered and shown a rise of 4.16 per cent and 8.14 per cent in 2004-05 & 2005-06 respectively.

2. **WEAVERS COOPERATIVE SOCIETIES (WCSs)**:

Despite the dysfunctional nature of WCSs, they represent a critical interface between weavers, especially in rural areas, and the market. The societies own infrastructure at the local level and have established links with the market. Since almost all weavers continue to be affiliated with WCSs, these societies represent the quickest way to impact the livelihoods of a large number of weavers. Policy interventions must urgently address the poor financial and operational position of WCSs and seek to develop a model for Handloom cooperative reform across states. This includes encouraging the registration of WCSs under the Mutually Aided Societies (or equivalent) Act, freeing them from excessive government interference.
3. VIRTUAL CLEARING HOUSE FOR THE PURCHASE OF YARN:

Help remove market inefficiencies and develop private markets for the supply of inputs and for sale of finished products: Policy interventions should seek to remove private market inefficiencies in the supply of yarn and credit as well as better develop the supply chain for finished products back to urban and export markets. There is the potential to use Information Technologies (IT) to create a virtual clearing house for the purchase of yarn of requisite counts directly from the mills; and for streamlining the procedures for credit approval and disbursal. More efficient markets for inputs such as yarn will benefit both the cooperative and the private sector. Interventions must also focus on spurring demand for finished Handlooms by promoting a strategy of brand-building and raising consumer awareness of different Handloom traditions.

4. ENCOURAGE PRIVATE INVESTMENT:

Policy interventions should focus on developing policy and regulatory infrastructure at the Central and State Government levels to encourage private investment in the Handlooms sector, addressing issues such as regulations on starting a private firm; credit availability to such firms; and tax structures for the sector.

5. FLAGSHIP SCHEMES (TUFS and STIP):

Two flagship schemes of the Ministry of Textiles; namely, the Technology Upgradation Fund Scheme (TUFS) and the Scheme for Integrated Textile Parks (SITP) have been approved for continuation in the Eleventh Five Year Plan. These schemes not only provide environment conducive to the growth of this sector but also enable the industry to expand and modernize its capacity.

Technology Upgradation Fund scheme-1999 (TUFS):

The Technology Upgradation Fund Scheme (TUFS) was launched on April 1, 1999 for five years, and was subsequently extended up to March 31, 2007. During its initial years, the progress of the scheme was moderate and it gained momentum from 2004-05 onwards. The scheme has been further extended till 2012. Through, in the Xth Five Year Plan, Rs. 1,270.00 crores were allocated, the disbursal was Rs. 2,044.19 crores, which exceeded the plan target. From its inception till February 28, 2007, 8,595 applications were received involving, a project cost of Rs. 81,371 crores. Applications with a project cost of Rs. 18,467 crore have been approved for financing of amount Rs. 8,505 crore, under the Technology Up-gradation Fund Schemes
(TUFS), by Ministry of Textiles, India. For the weaving and the processing sector the interest rate subsidy has also been increased under TUFS, which guarantee the production and export of quality value added products. The Indian Textiles Industry has, over the years, suffered from server technology obsolescence and lack of economics of scale, which in turn diluted its productivity quality and cost effectiveness, despite distinctive advantages in raw material knowledge base, and skilled human resources.

In addition to giving a package to exporters, the government also extended TUFS for five years and included more sectors such as garments, technical textiles and processing under its fold. Moreover, a capital subsidy of 10%, in addition to 5% interest refund, would be given to exporters. The Union textile ministry proposed an outlay of Rs10,000 crore for TUFS for modernization of the industry in the 11th Plan, by when it hoped to see investments of Rs1.5 trillion in the sector. The domestic textiles and apparel market is estimated at $49 billion, of which 61% is accounted for by the domestic market and the remaining by exports. According to industry estimates, the industry would be able to attract investments of $55 billion, create job opportunities for 65.4 million people and grow annually at 22% by 2010 if reforms proposed for the sector are initiated at a faster pace.

This may come as a breather to the textile industry. The government is likely to extend the textile sector's favourite Technology Up gradation Fund Scheme (TUFS) by a year in Budget 2007. The textiles ministry has been pushing for extension of TUFS. It had also asked the Planning Commission to extend the scheme for another five years md suggested its inclusion in the 11th Five-Year Plan. However, the finance ministry is likely to consider only a one-year extension, sources said. The finance ministry is not in favour of a blanket extension of five years as demanded by the nodal ministry. The government wants to give a big push to the textiles sector which is credited with highest employment generation. Prime Minister Manmohan Singh had also set up a panel to examine ways and means to boost textile sector in the country. Budget 2007 is expected to unveil measures to give a fillip to sectors that have a large employment-generation potential such as textiles and leather.

The National Manufacturing Competitiveness Council (NMCC), which is assisting the textile ministry to raise competitiveness of the sector, has also favoured the extension of TUFS. NMCC that has pointed out textiles and garments as a
priority sector is preparing a draft plan to raise manufacturing and competitiveness of the sector. The Planning Commission had earlier opposed the extension of TUFS as the scheme provides subsidy to individual companies. It had favoured its replacement by infrastructure grants such as those under the Scheme for Integrated Textile Parks (SITP). However, the textile ministry argues that the scheme is essential for the development of the sector that has been languishing in the past few years. According to textile ministry officials, the scheme is crucial for achieving country’s ambitious export target of $50 billion by 2010.

- The scheme aims to provide funds for technology upgradation of existing units and setting up new units with state of the art technology.
- Interest incentive (5%) on the term loan, re-imbursement of exchange rate fluctuation (upto 5%) on foreign currency loans and capital subsidy (20%) on the small-scale power loom units up to a cost of Rs. 60 lacs are provided.
- Original outlay of Rs. 25000 crores; additional funds of Rs. 435 crores are allocated.

**Scheme for Integrated Textiles Park (SITP):** Though the Indian textiles industry has its inherent advantages, infrastructure bottlenecks are a prime area of concern. With a view to take advantage of the Post Multi Fibre Arrangement (MFA) scenario, the Apparel Parks for Exports Scheme (APES) and the Textiles Centre Infrastructure Development Scheme (TCIDS) were launched in 2002 to provide world class export infrastructure at important textiles centres. The objective of APES was to create exclusive export zones of apparel manufacturing. TCIDS was to modernize and fill in the gaps in the infrastructure at existing major textiles centres, to remove the impediments to production.

With a view to provide the industry with world-class infrastructure facilities for setting up their textile units, the Scheme for Integrated Textile Park (SITP) was approved in July 2005, by merging the Apparel Park for Exports Scheme (APES) and the Textile Centres Infrastructure Development Scheme (TCIDS) to create new textiles parks of international standards at potential growth centres. Primary objective of the SITP is to facilitate setting up of textiles units with desired infrastructure facilities. As per target of the Xth Five Year Plan, 30 projects have been sanctioned. Estimated project cost (for common infrastructure and common facilities) is Rs.
2,893.42 crores, of which Government of India assistance under the scheme would be Rs. 1,054.76 crores. So far, an amount of Rs. 205 crores has been released under the Scheme. 2,186 entrepreneurs are scheduled to put up their units in these parks covering an area of 3,206 Acres. The estimated investment in these parks would be Rs. 15,258 crores and estimated annual production would be Rs 24,024 crores. After these Textiles Parks become functional, there will be employment generation for 5.45 lakh persons. Taking into consideration the response to the scheme and the opportunities for the growth of textile industry in the quota free regime, the Ministry of Textiles has proposed for continuation of the scheme in the XIth Five Year Plan to develop 50 more textiles parks. The main objective is to impart focused thrust to setting up apparel manufacturing units of international standards at potential growth centres and to give boost to exports. The government has approved 11 apparel parks till now.

The performance of both Apparel Parks and TCIDS was restrained by the nature of assistance permitted. It was felt that there was a need to review both the schemes to examine the possibility for making provision for expeditious implementation of these schemes. Therefore, both the Schemes were merged into a new schema Called the 'Scheme for Integrated Textile Park (SITP)' in 2005 to neutralize the weakness of fragmentation of various sub-sectors of the textiles and non-availability of quality infrastructure. These parks would incorporate facilities for spinning, sizing, texturing, weaving, processing, apparels and embellishments. This scheme is based on the Public Private Partnership (PPP) model.

During the 10th Five Year Plan, 30 projects were sanctioned: Andhra Pradesh (4). Gujarat (7), Maharashtra (6), Tamil Nadu (6), Rajasthan (4), Karnataka (1), Punjab (1) and West Bengal (1). These parks will be setup by 2008-09 with an additional investment of Rs. 15,434.60 crores. Thelntegrated Textile Park at Palladam. Tamil Nadu is nearing completion. These parks will generate an annual production of Rs. 24,000.00 crores and will create more than half a million new jobs.

Four more textile parks cleared for 10th Plan: The Cabinet Committee on Economic Affairs (CCEA) has approved an increase in the number of units under the Scheme for Integrated Textile Parks (SITP) to 30, from the present 26, during the Tenth Five-Year Plan. The CCEA, under the chairmanship of Prime Minister Manmohan Singh, enhanced the target, which includes 26 projects sanctioned so far. it has been decided there would be no changes in the funding pattern and other
parameters for these parks, after the CCEA meeting. Development of additional parks will facilitate additional investment, generate employment and increase textile production.

**Technology Mission on Cotton (TMC):** 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 Prime Minister Shri Atal Bihari Vajpayee.

(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.

**6. ECONOMIC RESEARCH AND MARKET INTELLIGENCE UNIT (ERMIU):**

The textile industry has, over the years, contributed significantly to our national output, employment and exports. It accounts for about one-fifth of our total industrial production, contributes to nearly one-fifth of our total exports and provides employment to millions of people. The Industry has not only to support the varied domestic requirement for clothing but also to play a significant role in international markets in textiles. Today, in the rapid changing scenario of trade liberalization, the
industry needs more effective planning and strategy to face the competition in international markets. Thus current information on production, designs and fashion and other related market and trade developments and its analysis are of immense significance to production planners and policy makers. An effort is being made for collection and dissemination of information on the above aspects for the benefit of trade and industry by setting up Economic Research and Market Intelligence Unit (ERMIU). The main unit is located in the Office of Textile Commissioner, Mumbai and two satellite units are located in the Ministry of Textiles, New Delhi and in the Office of the Textile Committee, Mumbai. The important functions of ERMIU are:-

- To provide information related with textiles to Government, Industry and Trade
- To organise data/information available at various organisations in India and abroad related with textiles
- To conduct spot studies/surveys/census to study market intelligence
- To create a Data Bank of all such data/information
- To analyse, interpret and forecast trends

7. NATIONAL CENTRE FOR TEXTILE DESIGN (NCTD):

The National Centre for Textile Design (NCTD) has been setup in January 2001, by the Ministry of Textiles, Govt. of India, with the objective of making innovative, ethnic and contemporary design available to the textile sector. The main aim of the centre however is to link people working in the centre with one and other and to give the weavers and workers better exposure to the markets to enable them to have better livelihood and more sustainable development. The centre has both online and offline activities. The online sector will exhibit these designs nationally and globally to facilitate the textile sector in getting designs in time as per seasonal forecast requirements and to enable regions as well as to develop on each others' concepts. We would like people, like power loom workers etc. also to benefit from the centre. This is done in several ways as for instance exhibiting their designs on our website. This will give them exposure to exporters, international buyers, design houses etc. that will enable them to obtain a better price for their designs through our design trends and forecasts on the web to equip them to better respond to the demands of the market. We plan to link up Weavers' Service Centres, Powerloom Service Centres and all other textile related sites to our main website through internet connectivity so
that these centres can take quick and necessary advantages of the centre for the benefit of their members.

8. TEXTILE CENTRES INFRASTRUCTURE DEVELOPMENT SCHEME (TCIDS):

TCIDS Scheme is a part of the drive to improve infrastructure facilities at potential textile growth centres and therefore, aims at removing bottlenecks in exports so as to achieve the target of US $ 50 billion by 2010 as envisaged in the National Textile Policy, 2000.

1. The scheme shall cover investments, which are in the nature of exigencies, or emergencies and which not be foreseen as part of the annual plan scheme proposals.

2. Balancing investment may, inter alia, relate to :-

   (I) Construction of roads
   (II) Provisions of testing facilities
   (III) Common effluent treatment plant facilities
   (IV) Exhibition / marketing hall
   (V) Strengthening of power supply
   (VI) Improving water supply and drainage facilities
   (VII) Improvement in telecommunication network and IT facilities
   (VIII) Establishment of design centres
   (IX) Improving warehousing facilities
   (X) Improving facilities for movement of goods to sea ports and airports, inland container depots, air cargo complexes etc.
   (XI) Augmentation of transport facilities especially for decongestion
   (XII) Facilities to improve human resource
   (XIII) Construction of crèche buildings for apparel units.

3. Under the scheme funds can be given to Central / State Government Departments/Public Sector Undertakings /Other Central/ State Government Agencies/recognized industrial association or entrepreneur bodies for development of infrastructure directly benefiting the textile units. The fund would not be available for individual production units.
4. The balancing investment should be (other than in exceptional circumstances) not in the nature of a total project by itself but an additive or adjunct to an existing or proposed facility. The Central assistance will be generally limited to 50% of the critical components of the project subject to a maximum of Rs. 20 crores for a particular centre.

5. The funds would generally be provided on reimbursement basis. However, in appropriate cases, advance payment may be considered.

6. The investment proposals should be supported by estimated duly vetted by the Department concerned. All the proposals emanating from a particular State/Union Territory should come through the Secretary in charge of Textiles of the concerned State/Union Territory and should have an indication/commitment about the contribution to be made by the proposed agency/State Government.

7. The benefits accruing from the proposed investment should be quantified in terms of increase in production(exports)/investment to establish the project desirability.

8. It would be open for the Government of India to cause physical verification of the implementation of the project and other such enquiries as deemed fit.

9. Payment and all expenditure under the project will be subject to audit by the Comptroller and Auditor General of India.

10. The proposed investment should not be included in the Annual Plan of the department/Agency concerned.

11. The benefits accruing from the balancing investment should be quantified as far as possible & in appropriate cases in terms of attendant increases in exports and/or with help of financial parameters to establish the project economic desirability/viability.

12. The proposal would be considered by an Empowered Committee under the chairmanship of the Secretary (Textiles) and having the following members:-

- Advisor, Planning commission
- AS&FA, Ministry of Textiles
• Economic Advisor, Ministry of Textiles
• Joint Secretary, Department of Expenditure, Ministry of Finance
• Joint Secretary, (Infrastructure), Deptt. Of Commerce
• Joint Secretary, Ministry of Textiles - Member Secretary

13. A committee would be duly constituted by the concerned State or Union Territory Government/Agency. Public Sector undertaking to implement and monitor each of the approved proposals. A representative of Ministry of Textiles would be included in the committee.

14. Preferably there should be a single agency for the implementation of the project. However, the common facilities created under the scheme would be established and managed by professional bodies such as Textile Research Associations, Industry Associations etc.

15. The performance of TCIDS scheme as a whole will be evaluated on annual basis by an appropriate authority or agency to be decided by the Empowered Committee of the Scheme.

9. RAJEEV GANDHI SHILPI SWASTHYA BIMA YOJANA¹²:

This scheme is being implemented by ICICI Lombard General Insurance Company Ltd.

- Medical coverage of Rs. 15000/-, including OPD treatment up to Rs. 7500/- for one year for a family of four comprising self and any other three members of the family from amongst the spouse, dependent parents and children.
- Pre-existing diseases covered.
- Cashless hospitalization through health card in empanelled hospitals.
- Maternity, Pre and Post hospitalization expenses also covered.
- Speedy reimbursement/ settlement of claims.
- Personal accident cover of Rs. 100000/- which includes insurance cover for death and total irrecoverable loss of any limb.
- Artisans Electronic ID Cards are available with concerned Marketing and Service Extension Centres.

The SC/ST/BPL artisans will be contributing Rs. 75/- and others Rs. 150/- only per year. The government of India will bear the balance amount of Rs. 800/- plus Service Tax per artisan family.

5. Policy Initiative for Textile Industry under the Union Budget 2008-09:
The budget proposals announced by the Union Finance Minister, Mr. P. Chidambaram, in parliament on 29th February, 2008. The budget has thus given a raw deal to the exporting community. The textile sector has been given significant emphasis and consideration. Ministry of Finance has added 165 new textile products under duty drawback schedule. The new products included wool tops, cotton yarn, acrylic yarn, viscose yarn, various blended yarn/fabrics, fishing nets etc. Further, the existing entries in the drawback schedule relating to garments have been expanded to create separate entries of garments made up of (1) cotton; (2) Man Made Fibre Blend and (3) Man Made Fibre (MMF). Separate rates have been prescribed for these categories of garments on the basis of composition of textiles. Handloom, handicraft and power-looms, in particular, have been covered extensively, while Schemes like the Integrated Textile Parks (SITP) and Technology Upgradation Fund (TUF) will be continued during the Eleventh Plan period. Consequently, production is likely to increase thereby giving a boost to the economy.

Budget measures: Schemes for Integrated Textile Parks (SITP) and the Technology Upgradation Fund (TUF) to be continued in the Eleventh Plan period. Provision for SITP to be maintained at Rs 450 crore in 2008-09.

Provision for TUF to be increased to Rs 1,090 crore in 2008-09 from Rs 911 crore in 2007-08. 250 clusters being developed and 443 yarn banks established under the cluster approach to the development of the Handloom sector.

- Over 17 lakh families of weavers to be covered under the health insurance scheme by March 2008. Allocation for this purpose being increased to Rs.340 crore in 2008-09;
- Infrastructure and production being scaled up by taking up six centres for development as megaclusters. Varanasi and Sibs agar to be taken up for Handlooms, Bhiwandi and Erode for powerlooms, and Narsapur and Moradabad for handicrafts. Each mega-cluster to require about Rs 70 crore. Initial provision of Rs 100 crore made in 2008-09.
- General CENVAT rate on all goods reduced from 16% to 14%.
BUDGET IMPACT:

- Additional allocation to TUF to accelerate the capital investment in the textile sector.
- Continuation of schemes for Integrated Textile Parks (SITP) to attract additional investment in this sector.
- Clusters for yarn, Handloom, handicraft and powerloom to bring more pricing power to these unorganised segments of the textile sector.
- Health insurance schemes for weavers to offer protection to employees in the unorganised segments of the sector.
- Removal of National Calamity Contingent Duty (NCCD) of 1% on polyester filament yarn to benefit the companies that have spinning capacities.

Besides, the establishment of 30 integrated textile parks will prove to be a blessing. Of these, nearly 20 units in four parks have commenced production ensuring employment generation for nearly 15,000 people. This apart, the development of 250 clusters for the Handloom Sector was received with open arms. However, as part of his post-Budget project, Textile Ministry expects the segment to rally towards the achievement of 7% interest rate on infrastructural loan. Exporters can also anticipate a positive outcome and growth from the Budget, which is, on the whole, an acceptable one.

The industry has been crying since April, 2007 about the appreciating Rupee and very fast erosion of competitiveness of this sector. The industry was expecting concrete proposals to address the issue of competitiveness and specific concerns relating to power, infrastructure and credit. However, the Budget has not addressed any supply side shortages except for skill development. The council is happy to note the measures taken for improvement in higher education and skill development. Although concern was expressed at the slackening manufacturing sector growth, specially textile and apparel products, no remedial measures were announced. There are no new proposals for the sector. The allocations for existing schemes like TUF will be largely insufficient to meet the requirements. The Council had been urging for refund of state levies to partly dilute the erosion in realisations, which have been to the tune of 15% in the current year. Zero import duty and excise duty on machines could have encouraged fresh investment as also modernization, both critical for
improving the competitiveness of this sector. Some of the other recommendations of the Council had been ceiling, of PLR for Textile and Clothing industry below the general PLR to improve investment, enhancement in drawback to match the erosion of realisations and a Product Development Fund for incentivising product diversification.

3.2.2 OTHER POLICY MEASUREMENTS:

1. The Ministry of Textiles, announced in November 2007 a 10% reduction on export credit guarantee premiums, a 10% to 40% increase in prevailing duty drawback rates, and a 2% reduction in pre-shipment and post-shipment credit interest rates. The government also released about Rs 6 billion to clear all arrears of terminal excise duties and central sales tax reimbursements.

2. An additional 10% capital subsidy was allowed for processing machines under the Technology Upgradation Fund Scheme (TUFS). The additional subsidy shall encourage more processors to opt for the scheme. This will help in upgradation of machinery and will be beneficial for the processing sector in the long term.

   Every manufacturer is ramping up capacities to meet the challenges of the quota free regime. Also, large textile firms within India are buying small-scale garment manufacturers to shore up their production facilities.

3.2.3 FOREIGN TRADE POLICY:

   The provisions of foreign trade policy, which may affect growth of textile industry favourably, are-

   • EOU's manufacturing textile/apparel is allowed to dispose off the leftover material up to 2% of import on payment of duty on transaction value.
   • Import of second hand capital goods of any age has been allowed which would enable fresh capital investment in modernization of industry.
   • For handicraft/Handloom units duty free import of trimmings/embellishments raided to 5% of FOB value of exports, which would be exempt from countervailing duty.

[77]
• All exports oriented units (EOU) has been exempted from service tax in proportion of their exports.
• Under 'Target Plus', units with quantum growth in exports would be entitled to duty-free credit based on incremental exports.

3.2.4 EXPORT ORIENTED UNITS (EOUs):

In order to facilitate the smooth functioning of the EOU units, Development Commissioners will fix time limits for finalizing the disposal of matters relating to EOUs. The EOU units in the Textile sector have been allowed to dispose off the left over material/fabrics upto 2% of GIF value of imports, on the basis of imports in the previous year instead of the present system of consignment basis. The facility of Fast Track Clearance announced earlier to EOUs is now being implemented by the Department of Revenue which is expected to issue a notification in this regard shortly. Units having physical turnover of Rs. 15 Crores will be allowed the facility of submitting consolidated procurement certificate and pre-authenticated procurement certificates.

3.2.5 POLICY INITIATIVE FOR TEXTILE EXPORTERS:

To tide over the crisis emanating from the steep upsurge in Rupee value, the Government announced a set of measures in July, 2007 to provide relief to exporters by way of accelerated reimbursement of dues to exporters, reduction in the interest rate on pre-shipment and post-shipment credit and revision in drawback rates and Duty Entitlement Pass Book (DEPB) rates. In addition, the Government has also notified refund of service tax to exporters for use of services not in the nature of "input services". A further set of measures was announced in October 2007, thereby, inter alia, extending Service Tax relief in respect of more services; period of interest subvention on pre-shipment and post-shipment credit was also extended in respect of more sectors. In November, 2007, the Government has announced further a relief package which reduces basic Customs Duty on certain items relating to textiles sector as well as refund of service tax paid by exporters on taxable services linked to exports, has been further extended. A support package for providing relief to export sectors, like Textiles, which have low import intensity, was also announced through additional subvention of 2% in pre-shipment and post-shipment credit to the textiles including Ready Made Garments and carpets but excluding man-made fibre. Various
measures taken by the Government will surely enable this sector to take rapid strides forward and capture a sizable share of the global textile trade. The government is working on a comprehensive package to proper growth in the economy and spurs declining exports. The package which is being discussed by the Prime Minister’s apex body would include increased credit for industry; refinance facilities for housing and some more measures to protect domestic industry against cheap imports. There were chances of export growth slowing down to just 10% as against the target of 25% growth.

3.2.6 OTHER POLICY INITIATIVES:

1. Rise in investment ceilings and FDI is freely permitted in the textile sector
2. To improve the productivity and quality of cotton, introduced a Technology Mission on Cotton
3. Reduction of basic customs duty on selected textile machinery and spare parts
4. Additional Excise Duty on Textiles & Textile Articles (AT&T) and Additional Excise Duty (Goods of Special Importance) Act has been eliminated
5. Reduction in Excise duty on polyester filament yarn
6. Government policies of liberalization and the innovative supports over the past couple of years have been showed tremendous growth in textile.
7. Government’s has adopted simplification of procedures and formalities for the textile exporters.
8. The diversified small lot production system dominant in Indian textile industry and can handle better with the changes in shape of demands.
9. Market Development Assistance (MDA) have been further moved up for better marketing to focus Latin America, Africa and Asian regions
10. With countries like Sri Lanka, Singapore, South Africa, Bangladesh, Thailand and China etc a series of Special Trade Agreements have been signed which will direct to rapid growth in Indian exports and Employment Generation.
3.2.7 POLICY RELATED TO GLOBAL CRISIS:

Financial package: The stimulus package announced by the Government, on the back of a slew of measures brought out by the Government, to prevent the economy from slipping into a severe slowdown in 2009, though welcome, is not bold enough to spur demand in the economy and rejuvenate business activity by creating an environment conducive to growth. Doubtless, the stimulus package is targeted at sectors such as metals, realty, SMEs as well as exports which have seen a precipitous fall in demand in recent times. The RBI's decision to cut CRR by 50 basis points and reduce repo and reverse repo rates by 100 basis points would also go a long way to infuse liquidity in the system. The move to liberalise the policy of ECB, a boost to corporate bond market as also enhancing the guarantee cover under the Credit Guarantee Scheme to SMEs from 50 per cent to 85 per cent are all steps in the right direction. However, despite this, the Government could have done much more to boost sagging growth and restore business confidence. The allocation of Rs 30,000 crore for infrastructure is insufficient given the urgency to ensure that money flows into sectors such as roads, airports, power plants and ports which would boost demand and have a multiplier effect on the economy. Industry was also looking for a reduction in the total tax burden to induce demand and a further reduction in CRR to 4.5 per cent. Concessions to exporters by way of timely export credit and increase in duty drawback rates, across the board, would have gone a long way to tide over the current uncertain situation especially as inflation is down to single digits and crude prices have fallen to below $50 per barrel.\(^{13}\)

3.2.8 MEASURES TAKEN BY GOVERNMENT OF INDIA RECENTLY:

Government of India effected a steep reduction in Draw Back rates for textile products and withdrew the 4 percent subvention on export credit. Apparently these decisions were in the context of viewing the depreciation of Indian rupee against US dollar in isolation, without taking into account the other adverse developments in the domestic and international markets. The Stimulus Package announced on 7th December 2008 by Government provides only for release of funds for TUFS and TED that had earlier been withheld by Government and for a partial reinstatement of interest subvention on packing credit that had earlier been withdrawn. Refund of

\(^{13}\)http://www.expresstextile.com
service taxes envisaged in the Package will have a marginal positive impact on the textile industry, whereas the 4 percent reduction of Excise Duty will only have the adverse impact of increasing unutilized CENVAT Credit with the industry.

3.2.9 MEASURES REQUIRED TO REVIVE GROWTH IN THE SECTOR:

The following are the urgent measures required immediately for arresting the negative trends in our production and exports of textiles products and the consequent loss of jobs:

- Allow liberal rescheduling of term loans taken by textiles and clothing industry by permitting deferment of 8 quarterly installments of principal amounts. Without such a rescheduling, most of the loans run the risk of turning into NPAs, creating serious problems for both the industry and the banking sector. The period for repayment of TUFS loans has to be extended from the current 10 years to 12 years, in order to accommodate the rescheduling.

- Restore the Drawback rates that prevailed before the reduction effected in September 2008 and also refund State level duties of 4-6 percent, which are currently not refunded by either Central Government or State Government. Since textile industry is not in the CENVAT route, refund its accumulated CENVAT credit in cash, as is currently done to exporters.

- The entire subvention of 4 percent on export credit withdrawn from 1st October 2008 needs to be reinstated at least for the period up to 31st March 2009.

- Provide Naphtha, Furnace Oil and HSD to captive power plants of textile units without customs duty or excise duty.

- A number of T&C units, especially in the SME segment, had been persuaded by banks to purchase Forex Derivatives by explaining their perceived advantages and not sensitizing the units on the risks involved. Such units have now lost huge amounts of money. As an immediate solution to this complex problem, the banks may be asked either to waive 50 percent of the amounts involved or to provide soft loans to the units at nominal interest rate for meeting the expenses.
In order to address the problems created by unreasonably high MSPs, packing credit for cotton purchase may be allowed liberally at 7 percent interest, against a margin of 10 percent and for a period of 9 months. Also, all procured cotton should be sold promptly to Indian mills at international price, that is, 5 cents below Cotlook 'A' Index (to offset the cost of logistics) or 10 percent below the procurement price.

The measures suggested above will not only help save the huge investments made in recent years by the industry in capacity building, but will also save lakhs of jobs for the poorest in our work force and support farmers by arresting the current decline in cotton consumption in the country.