Chapter V

FINANCE

Introduction

Finance is one of the major factors of production. Indeed finance is the moving force for every economic activity. Handloom-weaving though considered to be a cottage industry require finance for its various stages of production. There was a time when weaving activities were undertaken without noticeable involvement of finance as the ingredients of production were acquired indigenously. But with the passage of time, finance has come to be recognised as one of the major factors of production for handloom weaving. Finance in handloom weaving is necessary for procurement of raw materials, purchase of looms and accessories, payment of weaving charges and meeting marketing expenses. In short, finance is necessary for all pre-loom and post-loom activities. But, as is well-known, financial position of most of the weavers is very weak and they have to manage their capital with great hardships. Such a situation naturally compels the weavers to initiate their weaving activities without proper economic plan and policy.

In Assam, handloom weavers co-operatives receive financial assistance through the concerned co-operative
Department and presently through the newly organised Directorate of Handloom and Textiles. On the other hand, the handlooms outside the co-operative-fold, were under the administrative control of Directorate of Sericulture and Weaving of the State since Independence. At the very beginning, the Directorate of Sericulture and Weaving looked after the handlooms of Assam in both the sectors till its bifurcation of handlooms under co-operative sector to the Department of Co-operation in October, 1958. Presently, the handlooms in both the sectors in Assam, has been transferred to the Directorate of Handloom and Textiles, from First July, 1984.

Requirements of capital

Finance is an area of business which is concerned with earning or spending, owing or borrowing funds. Therefore, planning in the field of finance calls for designing the capital structure. The amount of capital required in the handloom industry can be broadly grouped into block capital and working capital. Generally speaking, the amount of block capital is directly related to the system of production to be adopted, the nature of products and the extent of modernisation to be affected. On the other hand, requirement of working capital relates to recurring expenses like payment of wages, purchase of yarns and sundry expenses.
In handloom industry, the block capital requirements represents the amount invested in land and building, looms and accessories, furniture and fixtures. Similarly, the working capital is necessary for procurement of yarns and other raw materials, weaving expenses and to meet day to day obligations of the weaving activities. It is, therefore, to ensure the stability and growth of handloom weaving, capital requirements both in shape of block and working capital, cannot be overlooked.

The provision of adequate credit facility is one of the essential pre-requisites for the proper working of handlooms in the country. Whereas, handloom production in our country is organised in two broad sectors, the co-operative and non-co-operative sector. While the former receives grants and assistance from the Government departments, the latter rely on the master-weavers, money-lenders or the private traders for their credit needs.

Sources of finance

The economic condition of the rural weavers are miserable. The weavers primarily depend on agriculture for their income and livelihood. Earning from agriculture is so limited that there is hardly any surplus left to be invested in handloom weaving. Handloom weavers, therefore, have to depend on internal and external sources of finance to carry
on their production activities. Earning from selling of agricultural produce occasionally and selling poultry and piggery from time to time, financial help from friends and relatives generally constitutes the internal source of finance. Whereas, loans from banking institution, loan and assistance from Government departments and borrowing from Mahajans and private traders are the source of external finance. The handloom weavers living outside the cooperative-fold constitute a major part of the artisans and widely scattered all over the country. But, the facilities availed from the external sources are very meagre and are totally inadequate for their requirement. In fact, the inadequacy of finance may be regarded as an important primary factor responsible for uneconomic weaving units and non-commercial vocation.

In case of weavers co-operative societies, the sources of raising capital are wider and broad based. The weavers co-operatives have the scope of acquiring the capital both internally and externally. Internally, they acquire the capital from the share of individual weaver-members, deposits from members and even profits earned by the society out of business. But, these sources of finance are not sufficient to meet their financial requirements to carry on weaving activities. It is, therefore, observed that the weavers co-operatives mostly look for Government assistance in shape of share capital, grants, subsidy, loan
and rebate on sales.

**All India Handloom Board and handloom finance**

With a view to coordinating the various activities, the All India Handloom Board was setup in October, 1952 for developing the handloom industry. The Board has been providing loans on a liberal scale to the weavers for contributing to the share capital of the weavers societies, thus enabling them to raise adequate working capital for their requirements. It has also been helping these co-operatives in the marketing of their products. The Board has accorded a high priority for the supply of improved machinery including semi-automatic looms, provision of facilities for processing and training, introduction of new designs and purchase of yarn from co-operative spinning mills. The Board has also given grants for the opening of sales depots. For developing inter-state markets, the Board has formed the All-India Handloom Fabrics Marketing.

1. In 1952, the All India Cottage Industries Board was replaced by three separate Boards, viz., the All India Khadi & Village Industries Board, the All India Handloom Board and the All India Handicrafts Board. These Boards are empowered to recommend grants and loans for ensuring adequate supply of raw materials etc.

Co-operative Society Ltd. in 1955. In the year of 1958, the procedure was discarded and the Central assistance was released as a matter of policy. As a result, the important role of All India Handloom Board reduced to an advisory body to the Government of India.

Credit facilities

The credit requirement of handlooms in the co-operative sector are considered by the Reserve Bank of India through its Handloom Finance Scheme under Section 17(2)(bb) read with Section 17(4)(c) of the Reserve Bank of India Act, 1934. In 1953, Section 17(2) of the Reserve Bank of India Act was amended by the inclusion of Clause (bb) enabling the Reserve Bank to provide accommodation for financing and marketing of cottage and small-scale industries.

The handloom weavers outside the co-operative sector are widely scattered all over the country, have to depend for their working capital requirements on master-weavers or middlemen. Although commercial banks have been financing handloom weaving activity for a number of years, it has been confined mostly to the organised sector of handlooms. However, since the introduction of Differential Rate of Interest Scheme (DRI), efforts were made by banks in the field of extending financial accommodation to handloom weavers. The establishment of Handloom Development
Corporations in various States and Intensive Handloom Development Projects (IHDP) have enabled the commercial banks to increase the financial assistance to handloom weavers outside the co-operative sector.

An important feature of the co-operative movement in India during the recent past has been its diversification. While the Reserve Bank of India is providing promotional and financial support for the co-operative credit programmes in the country, National Co-operative Development Corporation, established in 1962, by an Act of Parliament, is providing similar support in the fields of marketing, processing, storage and supplies in the co-operative sector. Historically, however, the working of the corporation can be traced back to 1956, as it is the successor to the National Co-operative Development and Warehousing Board in pursuance of the recommendations of the All India Rural Credit Survey Committee Report. The assistance from National Co-operative Development Corporation (NCDC) to the handloom weavers co-operative societies is available through the State Governments.

2. Ibid., p. 346
Reserve Bank Scheme for Handloom Finance

Though handloom weaving is an important cottage industry, no serious attempts had been made to organise the industry and provide the weavers with necessary working capital assistance to enable them to carry on their activities continuously. In 1956, the Reserve Bank took the initiative in this regard and in consultation with the Government of India drew up a scheme for providing refinance facilities to the State and Central co-operative banks for financing the working capital requirements of weavers co-operative societies. This scheme is known as Reserve Bank Scheme for Handloom Finance and it covers only weavers co-operative institutions. The Bank actually started providing refinance facilities under the scheme from the year 1957-58 onwards.³

³. Department of Industrial Development, Ministry of Industry, Government of India, Report of the Study Group to review the working of the Reserve Bank of India Scheme for Handloom Finance, June 1978, p. 6
Bank of India Act, 1934. Under this scheme, initiated in 1956, the Reserve Bank of India provides financial accommodation to the State Co-operative Banks directly for

4. Section 17(2)(bb)

"The purchase, sale and rediscount of bills of exchange and promissory notes drawn and payable in India and bearing two or more good signatures, on of which shall be that of a State cooperative bank or a State financial corporation or any financial institution, which is predominantly engaged in the acceptance or discounting bills of exchange and promissory notes and which is approved by the Bank in this behalf, and drawn or issued for the purpose of financing the production or marketing activities of cottage and small scale industries approved by the Bank and maturing within twelve months from the date of such purchase or re-discount, exclusive of days of grace, provided that the payment of the principal and interest of such bills of exchange or promissory notes is fully guaranteed by the State Government."

Section 17(4)(c)

(a) "Repayable on demand or on the expiry of fixed periods not exceeding ninety days, from the date of such loan or advance, against securities of the Central Government or any of the State Government, or

(b) Repayable on the expiry of fixed periods not exceeding eighteen months from the date of such loan or advance, against securities of Central Government or any State Government of any maturity, or against bonds and debentures issued by the corporation to which the loan or advance is made, and guaranted by the Central or State Government, and maturing within a period not exceeding eighteen months from the date of such loan or advance."

(Government of India, Ministry of Law, Justice and Company Affairs, Reserve Bank of India Act, 1934, Edition 1975, pp. 9, 15)
financing the procurement and marketing of cloth by the Apex
or Regional weavers societies and on behalf of Central or
Industrial Co-operative Banks for financing production or
marketing activities of the primary weavers societies which
are working on production-cum-sales pattern. With effect
from First March 1978, it has been decided to revise
refinance rate on the advances to the State Co-operative
Banks under Section 17(2)(bb) read with Section 17(4)(c) of
the Reserve Bank of India Act, 1934. Under this provision,
the rate of interest will be 2½ per cent below the Bank
rate instead of 1½ per cent, on the advances for financing
the production and marketing activities. The Reserve Bank
of India has been operating the scheme in a flexible manner
and has modified or revised whenever occasion demanded.

The Reserve Bank of India considered the possibility
of extending bank loan to the poor section of the economy
including handloom weavers. In accordance with the principle,
the Reserve Bank of India, appointed a Committee in September
1970, under the Chairmanship of Dr. R.K. Hazari to examine
the question of differential interest rates. The Committee
submitted its report on May 21, 1971 and recommended granting
of loans at lower rate of interest to the lower income
5
group.

5. Desai, V., Indian Banking, Nature and Problems, First
edition 1979, pp. 217, 221
Similarly a Committee was also constituted by the Reserve Bank of India in July 1970, under the Chairmanship of Shri V.D. Thakkar to review the working of special credit schemes of commercial banks with particular reference to their employment potentiality. The Committee felt that the underemployed in the rural sector should also be entitled to employ themselves in allied agricultural activities and other village crafts and services. The Committee further emphasised the need for transforming the traditional production units to modern units and thus to make them economically viable. The Committee has also summarised the main drawbacks of the various schemes sponsored by the banks to provide financial assistance with due weightage to employment generation.

However, the quantum and frequency of financial accommodation extended to handloom weavers was far from satisfactory. The establishment of Handloom Development Corporations in various States have enabled the commercial banks to increase their financial assistance to handloom weavers outside the cooperative-fold. As a result, the Differential Rate of Interest scheme (DRI) continued to receive special attention from public sector banks. At the end of December 1982, the number of loan accounts to

6. Ibid., pp. 221, 227
handlooms under this scheme, rose from 4.2 lakhs to 33.4 lakhs and the amount of loans outstanding from Rs. 54 crores to Rs. 311.5 crores over the position in December 1981. The average amount of loan per account increased from Rs. 880.00 to Rs. 932.00 during the same period. DRI scheme at the end of December 1982, formed 1.2 per cent of their total advances as at the end of December 1981. There was further improvement in the coverage of Scheduled Caste and Scheduled Tribes borrowers under the DRI scheme. The number of such borrowers accounts which stood at 13.8 lakhs at the end of December 1981, increased to 16.4 lakhs by the end of December 1982, and the amount of loan outstanding increased from Rs. 123 crores to Rs. 154 crores.

The Report of the Study Group to review the working of the Reserve Bank of India's scheme for handloom finance under the Chairmanship of Dr. M.V. Hate (popularly known as Hate Committee) submitted in June 1978, has attributed the slow progress of the scheme to a number of factors. They

7. Reserve Bank of India, Report on Trend and Progress of Banking in India, 1983-84, pp. 69, 70
8. The Study Group was setup by the Government of India as per Resolution No. 6(7)/77-Coop. dated 28th October, 1977 of the then Ministry of Commerce, Civil Supplies and Cooperation (Department of Textiles). This Study Group was conceived to review the various Handloom Development Programmes, particularly in the cooperative sector, financed by Government of India. The Group was entrusted with the responsibility to make an indepth study of the problems facing the handloom cooperatives in availing of a larger flow of credit from institutional agencies,
are mainly weak structure of the weavers cooperatives arising from factors such as lack of coordination between the Industries Department and the Cooperation Department, the absence of serious efforts to revive weak or dormant societies and lack of sufficient promotional interest taken by the financing banks. The structure of weavers cooperatives at primary and apex levels in many States is characterised by dormant and weak societies and is not capable of absorbing refinance facilities provided by the Reserve Bank under the scheme. Many of the societies still do not conform to the pattern of working recognised by the Reserve Bank. They are not organised on the production-cum-sales pattern. Many of the co-operative banks in States like Rajasthan, Uttar Pradesh, Bihar, West Bengal, Punjab, Haryana and Assam are not familiar with the working of the scheme for handloom finance. The Sivaraman Committee had also recommended that there was need for the State and Central co-operative banks to get themselves familiar with the scheme so that the same can be implemented effectively.

keeping in view the higher targets of production and marketing envisaged for the Handloom sector during the Sixth Plan period.

(Department of Industrial Development, Ministry of Industry, Government of India, Report of the Study Group to review the working of the Reserve Bank of India Scheme for Handloom Finance, June 1978, p. 1

9. Ibid., p. 6
The National Bank for Agriculture and Rural Development (NABARD) has taken over the responsibility from Reserve Bank of India to extend refinance facilities for working capital requirements of weavers co-operatives since its formation in July 12, 1982. Apart from liberalising the norms for assessment of credit needs to ensure smooth credit flow, NABARD has introduced new lines of credit under term loans to enable the weavers both within and outside the co-operative sector to acquire improved looms, construction of worksheds, opening and renovation of Showrooms by the Apex handloom weavers societies and State Handloom Development Corporations. Besides, it has extended refinance facility to co-operative banks for medium term advances granted for purchase of shares of co-operative spinning mills by weavers co-operative societies.

Marketing activities of apex or regional weavers societies are now financed by NABARD under Section 21(1)(v) read with Section 21(3)(a) of the NABARD Act. Similarly, the provision of refinance for trading in yarn is covered under Section 21(1)(iv) read with Section 21(4) of the NABARD Act. Under Section 25 of the NABARD Act of 1981,

NABARD has already opened new lines of term-credit for acquisition and modernisation looms, construction of workshed by weavers as well as establishment of Show-rooms by Apex and Regional Weavers Societies and Handloom Development Corporations.\textsuperscript{11}

NABARD's scale of finance for handlooms from March 1985, are as follows\textsuperscript{12}:

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Variety</th>
<th>Per loom scale of finance (Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Cotton handlooms</td>
<td>3000.00</td>
</tr>
<tr>
<td>2.</td>
<td>Special varieties of cotton cloth like bed spreads, furnishing materials, Jacquard, terry towels and export varieties of cloth</td>
<td>5000.00</td>
</tr>
<tr>
<td>3.</td>
<td>Wollen on handlooms</td>
<td>4000.00</td>
</tr>
<tr>
<td>4.</td>
<td>Pure silk cloth in handlooms</td>
<td>6000.00</td>
</tr>
<tr>
<td>5.</td>
<td>Polyester on handlooms</td>
<td>10000.00</td>
</tr>
</tbody>
</table>


\textsuperscript{12} NABARD's Circular letter No. PDD.NFS. No. 870/HA-10-84/85 dated 6th March 1985
National Co-operative Development Corporation and handloom finance

There are 38.20 lakh handlooms including 8 lakh domestic looms in the country and out of it, 15.06 lakh, that is, 49.83 per cent were under the cooperative-fold in 1982-83. Therefore, to implement the efforts of the Development Commissioner for Handlooms, the National Co-operative Development Corporation (NCDC) sponsored certain schemes from its own fund. Under these schemes, NCDC provides assistance to the State Governments for purposes like, strengthening the share capital base of the handloom weavers societies, financing for their pre-loom and post-loom processing facilities, constructing and renovating Show-rooms, Show-room-cum-godowns by apex or regional weavers societies etc. For detail schemes of financial assistance by NCDC to weavers co-operatives are given in Appendix-II.

The NCDC has setup its Regional Office at Guwahati in 1972. During its thirteen years of working, the Corporation has provided financial assistance to the extent of Rs. 74 lakhs for development of weavers co-operative societies in Assam. NCDC's contribution for the development of handloom co-operative societies in the North-Eastern Region from 1972 to 1985 has been summarised in Table V.1

given below.

<table>
<thead>
<tr>
<th>Name of the State</th>
<th>Purpose</th>
<th>Amount sanctioned</th>
<th>Amount released</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assam</td>
<td>Handlooms</td>
<td>133.687</td>
<td>73.966</td>
<td>59.721</td>
</tr>
<tr>
<td>Meghalaya</td>
<td>Handlooms</td>
<td>5.45</td>
<td>-</td>
<td>5.45</td>
</tr>
<tr>
<td>Manipur</td>
<td>Handlooms</td>
<td>30.64</td>
<td>2.50</td>
<td>28.14</td>
</tr>
</tbody>
</table>

Source: Regional Office, NCDC, Guwahati

However, NCDC has provided financial assistance to 91 weavers co-operatives in Assam, 17 in Manipur and 2 in Meghalaya, in shape of share capital assistance and loan for construction of workshed. But, no assistance was provided by the NCDC to the weavers co-operative societies in the States of Nagaland, Tripura, Arunachal Pradesh and Mizoram.

Plan outlays for handlooms

The Government of India had been seized with the problem of development of handloom industry in the country. As a result, the schemes for the development of handloom sector were considered and formulated during the successive
Five Year Plans of India. Respective plan outlays and expenditures incurred in the handloom industry during the Five Year Plans in India are shown in Table V.2.

Table V.2

## Plan Outlays for handlooms in India

<table>
<thead>
<tr>
<th>Plan period</th>
<th>Outlays (Rs. in crores)</th>
<th>Expenditures (Rs. in crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan (1951-56)</td>
<td>12.2</td>
<td>12.2</td>
</tr>
<tr>
<td>Second Plan (1956-61)</td>
<td>59.5</td>
<td>31.7</td>
</tr>
<tr>
<td>Third Plan (1961-66)</td>
<td>38.0</td>
<td>25.37</td>
</tr>
<tr>
<td>Annual Plan (1966-69)</td>
<td>13.58</td>
<td>13.58</td>
</tr>
<tr>
<td>Fourth Plan (1969-74)</td>
<td>26.48</td>
<td>29.21</td>
</tr>
<tr>
<td>Fifth Plan (1974-79)</td>
<td>99.92</td>
<td>80.63</td>
</tr>
<tr>
<td>Annual Plan (1979-80)</td>
<td>48.59</td>
<td>43.17</td>
</tr>
<tr>
<td>Sixth Plan (1980-85)</td>
<td>310.93</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

Source: Government of India, Planning Commission, Five Year Plans

Even in the Seventh Five Year Plan Approach (1985-90), an expanding role is envisaged for the handloom sector including the production of the entire requirement of Janata cloth. The emphasis has also been given to upgrade the skill of the rural artisans with technological improvement for raising their living standard based on local raw
Sources of finance to handlooms in Assam

The handloom weavers of Assam both within and outside the cooperative-fold have relied on internal and external sources of finance. But, to the weavers outside the cooperative-fold, contribution from internal source is limited. The newly created Directorate of Handloom and Textile has also come forward to provide finance to weavers in both the sectors. In this connection, the Hate Committee has highlighted certain steps to be taken by the State Co-operative Banks in effective implementation of the schemes of handloom finance.15


15. Hate Committee recommended the following:

(1) The State Co-operative Banks and the Co-operative Department must pay special attention to familiarising the Central Co-operative Banks with the scheme of handloom finance.

(2) The State Co-operative Banks should in their own interest and in the context of national policy, involve themselves to a substantial extent in the financing of apex weavers societies. The Central Co-operative Banks may also step up their advances to the eligible weavers societies as they are assured of full-time refinance from the Reserve Bank of India.

(3) The State Government should execute a single continuing guarantee for a period of 3 years at a time for the advances proposed to be availed by the co-operative banks from the Reserve Bank of India for financing weavers societies.
But, in case of financial requirements of the weavers in the cooperative-fold it is seen that, they are mostly dependant on Government assistance in shape of share capital participation, grants subsidy etc. It is seen that, the handlooms under the cooperative-fold has become a neglected sector because of the fact that the weavers are not interested in the profession and they lack entrepreneurship zeal.

The National Co-operative Development Corporation (NCDC), which was established in India in the year of 1962 by an Act of Parliament occupies an unique position among the financing institutions in the country. The Corporation

(4) The State and Central Co-operative Banks should give high priority to the financing of weavers societies.

(5) The State and Central Co-operative Banks will have to enlarge their financial and developmental roles in support of the Government of India's programme to raise the cooperative coverage of handlooms to 60 per cent within five years.

(6) In States, where there are 3000 looms or more, the State Co-operative Banks should form a separate cell exclusively for attending to the promotion, development and financing of weavers societies and coordinating the activities of Central co-operative banks vis-a-vis weavers societies.

(7) In case of weavers societies whose members are poor, the cooperative banks should provide at least the same facilities which they get from the higher financing agencies.

(8) The State cooperative banks should assist the Central cooperative banks by providing necessary interim financial accommodation for the purpose.

(Department of Industrial Development, Ministry of Industry, Government of India, Report of the Study Group to review the working of the Reserve Bank of India scheme for Handloom Finance, June 1978, pp. 30, 31)
provided risk capital and margin money to co-operatives for expanding their business operations. Besides providing funds from its own sources, the NCDC functions as a financial coordinator vis-a-vis institutional agency from which funds are obtained by co-operatives for their programmes.

The role played by the NCDC in financing handloom weavers co-operatives in the State particularly for the construction of 61 worksheds, modernisation of 8 Show-rooms and opening of 5 new Show-rooms by ARTFED, are said to be encouraging. 16

Plan outlays for handlooms in Assam

In Assam, the Plan outlays for handlooms under the co-operative sector, were very limited till the end of the Third Five Year Plan. But, since the beginning of the Fourth Five Year Plan, the handlooms under the cooperative-fold received proper attention from the Government. It may be mentioned that the total plan allocation for handloom industry increased from Rs. 96.93 lakh during the Fourth Plan to Rs. 325 lakh in the Sixth Five Year Plan of Assam.

The Plan provisions for handloom development scheme in the cooperative-fold has been shown in Table V.3.

16. Regional Director, National Co-operative Development Corporation, Regional Office (NE), Guwahati
Table V.3

Plan outlays for handlooms under co-operatives

(Rs. in lakh)

<table>
<thead>
<tr>
<th>Plan period</th>
<th>Outlay</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Plan</td>
<td>18.69</td>
<td>14.89</td>
</tr>
<tr>
<td>Second Plan</td>
<td>51.89</td>
<td>54.69</td>
</tr>
<tr>
<td>Third Plan</td>
<td>65.0</td>
<td>60.30</td>
</tr>
<tr>
<td>Fourth Plan</td>
<td>96.93</td>
<td>89.64</td>
</tr>
<tr>
<td>Fifth Plan</td>
<td>125.0</td>
<td>101.0</td>
</tr>
<tr>
<td>Sixth Plan</td>
<td>325.0</td>
<td>N.A.</td>
</tr>
</tbody>
</table>

(ii) Government of Assam, Planning and Development Department, Third Five Year Plan of Assam 1961-66, A Review of Progress, pp. 53, 54
(iv) Government of Assam, Registrar of Co-operative Societies, Guwahati

The Department of Sericulture and Weaving was created in Assam in the year of 1948-49. Therefore, since the beginning of the First Five Year Plan to the end of the Second Plan, the Directorate of Weaving and Sericulture of Assam looked after the handlooms in both the sector. Against a total allotment of Rs. 5.46 lakhs for sericulture and weaving during the First Plan in the State sector,
expenditures incurred amounted to Rs. 3.95 lakhs. In the Central sector, an amount of Rs. 7.41 lakhs was spent against the total allotment of Rs. 15.67 lakhs for three different schemes. During the Second Five Year Plan out of the total allotment of Rs. 99.49 lakhs an amount of Rs. 77.59 lakhs were spent. During the Third Five Year Plan and Adhoc-Annual Plans, Rs. 47.08 lakhs and Rs. 24.74 lakhs were spent under Sericulture against the total allotment of Rs. 75 lakhs and Rs. 34.07 lakhs respectively. Similarly in the Fourth Five Year Plan and Fifth Five Year Plan, an amount of Rs. 150.33 lakhs and Rs. 388.00 lakhs were allocated under which Rs. 103.96 lakhs and Rs. 166.98 lakhs were spent respectively. In the Sixth Five Year Plan also an amount of Rs. 908 lakhs were Plan allocation for Sericulture and Weaving in Assam.17

**Tribal Sub-Plan**

In India, for the first time in the Fifth Five Year Plan, a strategy of earmarking funds for the development of Scheduled Tribes was evolved. It is only because of their population concentration in specific areas, the instrument

17.(i) Government of Assam, Planning and Development Department, Third Five Year Plan of Assam, 1961-66, A Review of Progress, pp. 53, 54
(iii) Government of Assam, Planning and Development Department, Seminar on Sericulture and Handloom Industries in Assam, 1982, p. 25
of Tribal Sub-Plan was developed to ensure the flow of benefits from all sectoral programmes and to provide integrated services in the tribal areas for their socio-economic development. Accordingly, the separate Sub-Plans were formulated covering 63 per cent of the tribal population in the country. The Tribal Sub-Plan areas were sub-divided into 180 Integrated Tribal Development Blocks. For this, the funds have been provided as special Central assistance for the Tribal Sub-Plan in the Plan period. 18

Similarly in Assam, the Tribal Sub-Plan was introduced since the Fifth Five Year Plan organising 19 Integrated Tribal Development Projects covering eight districts in Assam.

Since the year of 1976-77, the Government of Assam has been given more emphasis for the development of sericulture and weaving in the tribal belts and blocks of the State. But, the developmental programme was actually executed from the year of 1978-79. It is observed that a total Plan outlay of Rs. 162.39 lakhs was allocated during the Fifth Five Year Plan of Assam under the Tribal Sub-Plan for sericulture and weaving. In Annual Plan of 1979-80, a total amount of Rs. 29.72 lakhs was the Plan allocation for the purpose. Against the total outlays of Rs. 192.11 lakhs

during this period, an amount of Rs. 138.74 lakhs were spent. The emphasis on sericulture and weaving continued vigorously during the Sixth Plan period in which the amount raised to Rs. 350.20 lakhs as outlay and Rs. 302.190 lakhs was utilised for the purpose.  

Even in the Seventh Five Year Plan Approach Paper, the strategy of the Tribal Sub-Plan comprising identification of Integrated Tribal Development Programmes have proposed to cover the entire tribal population in the country. It is also proposed to undertake beneficiary oriented and human resource development programmes including special schemes for tribal women. 

### Capital requirement of Bodo weavers of Goalpara district

The Bodo weavers of Goalpara district require both short-term and medium-term finance to carry on their weaving operations. Primarily they require finance to procure tools and implements and also to purchase raw materials like yarns.


20. Government of India, Planning Commission, op.cit., p. 27
On the basis of field survey conducted in the area, it is estimated that the average annual requirement of finance per weaver is Rs. 898.90 which is shown in Table V.4.

### Table V.4

**Statement showing average annual requirements of finance per weaver**

<table>
<thead>
<tr>
<th>Income group</th>
<th>f</th>
<th>x</th>
<th>fx</th>
</tr>
</thead>
<tbody>
<tr>
<td>100-500</td>
<td>23</td>
<td>300</td>
<td>6900</td>
</tr>
<tr>
<td>600-1000</td>
<td>32</td>
<td>800</td>
<td>25600</td>
</tr>
<tr>
<td>1100-1500</td>
<td>32</td>
<td>1300</td>
<td>41600</td>
</tr>
<tr>
<td>1600-2000</td>
<td>3</td>
<td>1800</td>
<td>5400</td>
</tr>
<tr>
<td>2100-2500</td>
<td>1</td>
<td>2300</td>
<td>2300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>91</td>
<td></td>
<td><strong>81800</strong></td>
</tr>
</tbody>
</table>

*Source: Field Survey*

**Sources of finance to Bodo weavers**

Most of the Bodo weavers of Goalpara district belong to the weaker section of the society and their source of earning is extremely limited. Finance for the growth and expansion of the handloom weaving is mainly derived from

Estimated annual requirements of finance per weaver is:

\[
81,800 \div 91 = \text{Rs.
898.90}
\]
their own source of income, particularly from agriculture, poultry, piggery and allied household incomes. Some of the weavers even resort to borrowing from private traders. But, it is astonishing to learn that currently no Bodo weavers have approached any bank for their financial requirement.

As gathered during the course of field investigation 89.01 per cent of the Bodo weavers of the district acquired working capital from their own sources of income as shown in Table V.6. The remaining 10.99 per cent is acquired from the private traders through arrangement of credit purchase of their raw materials which leaves ample scope for exploitation by private traders and results in lower production of handloom textiles. The Table V.5 exhibits the sources of finance of Bodo weavers in the district.

Table V.5
Current sources of finance of Bodo weavers

<table>
<thead>
<tr>
<th>Sl.No.</th>
<th>Sources of finance</th>
<th>Frequency</th>
<th>Percentage of distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Own fund</td>
<td>81</td>
<td>89.01</td>
</tr>
<tr>
<td>2.</td>
<td>Borrowing from Private traders</td>
<td>10</td>
<td>10.99</td>
</tr>
<tr>
<td>3.</td>
<td>Loan from financial institutions</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>4.</td>
<td>Other sources</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td></td>
<td></td>
<td>91</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey
Role of Banks in Goalpara district

The structural weakness associated with the economic life of the Bodo people in the district urgently calls for special measures in which the banks have an important role to play. In the prevailing socio-economic environment, it is the banks who must make their presence felt among the credit-shy Bodo people. By nature, the Bodo people are shy and keep themselves aloof from other people. In such a situation, the bank may take the initiative by offering them both fixed and working capital to modernise their looms and thus provide them with an uninterrupted source of earning through handloom. Such an initiative will only contribute to the development of their handloom weaving and it will as well bring them into the mainstream of national economic development.

There are 84 bank branches in the Goalpara district. Of these, 51 are commercial banks, 27 Rural banks and 6 co-operative banks. But, unfortunately credit facilities extended by these banks to handloom weavers in the district are far from satisfactory. According to information collected from the bank sources in the district, it is seen that only 472 weavers availed bank credit amounting to Rs. 3.80 lakhs till June 30, 1983 as shown in the Table V.6. Of this total, the Bodo weavers' share was only Rs. 20,000.00 distributed in the year of 1977 to only 44 weavers in the district. The
### Table V.6

Bank finance to handlooms in Goalpara district (Position as on 30th June, 1983)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Name of the Bank</th>
<th>No. of existing branches</th>
<th>No. of weavers beneficiaries</th>
<th>Purpose</th>
<th>Type of loan</th>
<th>Amount (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>General</td>
<td>Bodo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Assam Co-operative Apex Bank Ltd.</td>
<td>6</td>
<td>5</td>
<td>Nil</td>
<td>Weaving</td>
<td>DRI/IRDP</td>
</tr>
<tr>
<td>2</td>
<td>United Commercial Bank</td>
<td>24</td>
<td>156</td>
<td>44</td>
<td>Weaving</td>
<td>DRI</td>
</tr>
<tr>
<td>3</td>
<td>United Bank of India</td>
<td>7</td>
<td>18</td>
<td>Nil</td>
<td>Weaving</td>
<td>IRDP</td>
</tr>
<tr>
<td>4</td>
<td>State Bank of India</td>
<td>20</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
<td>N.A.</td>
</tr>
<tr>
<td>5</td>
<td>Pragjyotish Gaolia Bank</td>
<td>27</td>
<td>293</td>
<td>Nil</td>
<td>Weaving</td>
<td>DRI/IRDP</td>
</tr>
</tbody>
</table>

**Total**

|                      | 84       | 472     | 44     |          | 3,80,500.00 |

**Source:**

(i) The Assam Co-operative Apex Bank Ltd., Head Office, Guwahati

(ii) United Commercial Bank, Regional Office, Guwahati

(iii) United Bank of India, Regional Office, Guwahati

(iv) State Bank of India, Regional Office, Guwahati

(v) Pragjyotish Gaolia Bank, Head Office, Nalbari.
loan was extended by the Kokrajhar Branch of the United Commercial Bank, under DRI scheme for purchase of yarns. But, it is disheartening to learn from the bank sources that the total amount of loan have not been repaid and the loan has become long overdue. Evidently, the loanees diversified the loan for other pressing liability and as such loan has become unproductive and hence lying as overdue.

It is significant to note in this connection that the Bodo weavers co-operatives primarily depended on Government assistance for their financial requirement. Though the Co-operative Apex Bank has six branches in the district, it is unfortunate that no Bodo weavers co-operative has come forward to avail bank credit for handlooms. This perhaps indicate the organisational and financial weakness of the weavers' co-operatives in the district.

Problems associated with finance

The handloom weaving of the Bodo people has not made appreciable progress due to the insufficiency of working capital. The weavers, it seems are not conversant with the financial facilities available from various sources. As a result, they are found involved in credit purchase from the private traders to procure their yarns. The private traders take advantage of the financial weakness of the weavers. Similarly, the financial facilities extended by the banks
could not be easily availed by the Bodo weavers either because they fail to fulfil the norms stipulated by the banks or they are not willing to approach the banks for their requirement.

The handloom weavers co-operatives in Goalpara district are not economically viable units because of inadequate finance, absence of financial policy and economic Plan combining with lower return from their business. Their financial requirements include both pre-loom and post-loom processing activities. But, the financial limitations compel them to minimise their investment in handloom weaving.

Hence, the problems associated with the finance of handloom weavers co-operatives can be summarised as shown below:

1. Lack of sound financial position.
3. Heavy losses in business of the societies.
4. Excessive dependence on Government help and assistance.
5. Lack of initiative to find the sources of finance for handloom weaving.
6. Insufficient owned fund of the societies.
7. Inadequate publicity by the banks regarding financial facilities available to weavers and the weavers co-operatives.
8. Lower productivity and low sales, resulting in nominal rebate claims.

9. Higher rate of unproductive expenses by the weavers co-operatives resulting financial crisis.

Conclusion

Finance is the core of industrial activity and the availability of adequate financial resources has an important economic impact on the development and expansion of handloom weaving. To make finance available to the weavers in both the sectors need a new outlook and approach. The weavers should be made aware of the facilities available and to take advantage of the facilities with entrepreneurship zeal and vigour. It is necessary to review the present financial position of the handloom weavers and to initiate corrective steps to remove the financial hardships of the weavers in both the sectors. Similarly, the liberalised financing scheme by the financing institutions should be taken up in right earnest to encourage the individual weavers and rejuvenate the non-functioning co-operatives in the district. In fact, the economic viability of the industry will definitely help to create confidence among the weavers and to ensure their participation in the vocation with commercial outlook.