

Budget Allocations for Handloom Sector: Issues and Problems

Summary

- There is a need for higher allocations for handloom sector, given the growth and employment potential.
- Handloom budget is a mere 0.03 percent of the national budget 2009-10. It was 0.4 percent last year. Thus, there is continuous decline.
- Investment on handloom sector per metre is a mere 35 paise in 2006-07, while for the non-handloom 58 paise.
- In the last eleven years, budget allocation has been decreasing gradually and continuously.
- While there is continuous reduction in the allocations for handlooms, utilization of the allocation is also not proper.
- Though the average downsize revision is 6.4 percent for eleven years, per year the variation ranges from 4.0 percent to 23.5 percent.
- The downsize revision is more for handlooms than for non-handloom sector.
- In a span of ten years, the growth rate of handloom allocations was a mere 18.4 percent. In the same period, the growth rate for total textile budget was whopping 313.3 percent.
- Per capita allocation of the government on handloom weavers is very low, compared to any other sector.
- Handloom weavers are facing severe livelihood crisis because of adverse government policies, globalisation and changing socio-economic conditions. Suicides are on the rise. Ineffective implementation of the schemes, increasing unfair competition from the powerloom and mill sectors are responsible for the crisis.

Introduction

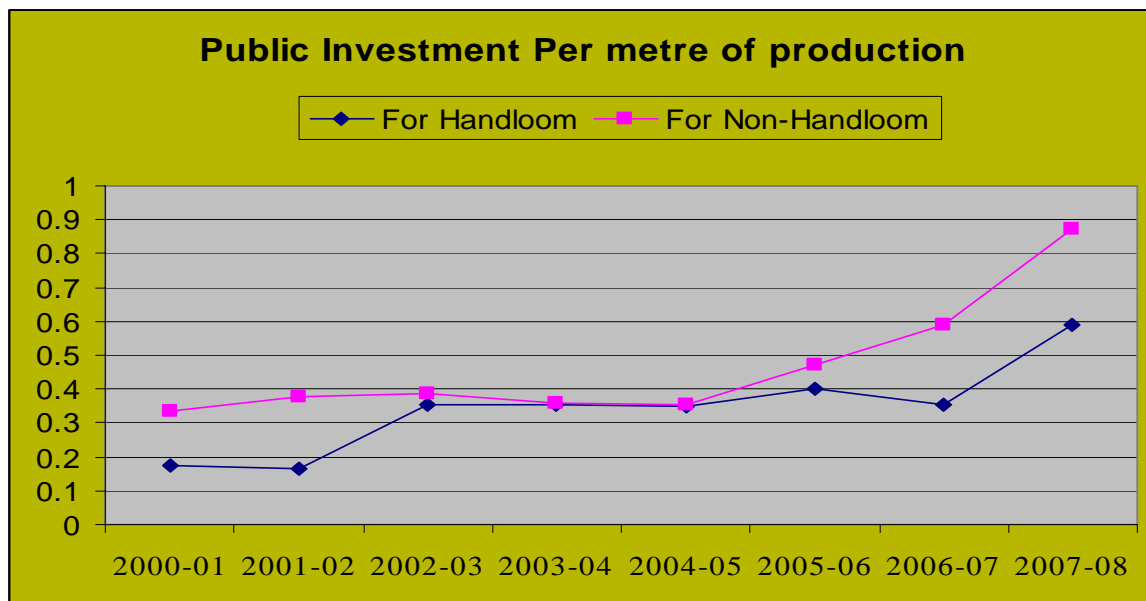
Union budget for the year 2009-10 was presented. While the larger issue of medium term fiscal policy is raised in many forums, the annual budget is a sure reflection of poor budget management in India. Growth is normally enabled through budget allocations. Annual budgets do also indicate the priorities of the government, and the direction in which it wants the growth and development to happen. Unfortunately, there is no linear link between budgets, plan and policies of the government. What is said in policies is not reflected in the policies, and what the policy says is not followed up with allocations. Planning process is entirely different, with insufficient linkage with the policies and budget allocations.

This situation can be clearly seen in the case of handloom sector.

Big disappointment

Handloom budget is a mere 0.03 percent of the national budget 2009-10. It was 0.4 percent last year. Thus, there is continuous decline.

Investment on handloom sector per metre is a mere 35 paise in 2006-07, while for the non-handloom 58 paise.



Year	Handloom	Rs. in crores	Rs.	Non-handloom	Rs. in crores	Rs.
2000-01	750.6	130.65	0.17406075	3,272.7	1096.47	0.335035
2001-02	758.5	126.44	0.16669743	3444.9	1299.89	0.377338
2002-03	598	212.4	0.35518395	3599.3	1394.6	0.387464
2003-04	549.3	195.37	0.35567085	3689	1319.32	0.357636

2004-05	572.2	199.64	0.34889899	3965.6	1406.18	0.354595
2005-06	610.8	246.13	0.40296333	4346.9	2045.9	0.470657
2006-07	653.6	231.42	0.35406977	4685.3	2762.19	0.589544
2007-08	521	307.04	0.58932821	3599.3	3136.68	0.871469

Production of fabrics increased by 9.25 per cent in 2005-06 and, in the current year upto November 2006, by 8.20 per cent over the corresponding period of the previous year. In US dollar terms, the value of exports increased by 21.8 per cent in 2005-06 and 11.7 per cent in the current year up to September 2006.

Nevertheless, Indian textile sector's performance continues to lag substantially behind that of China even in the post –quota era. China's export of textiles and clothing reached a new peak of US\$115.51 billion in 2005 which accounted for 24.07 per cent of global trade. In comparison, India's share was a miniscule 3.37 per cent amounting to US\$16.14 billion. The Indian textile sector continues to suffer from ageing machinery, inadequate infrastructural facilities (power and ports), and rigid labour laws. The continuing scheme such as the Technology Upgradation Fund (TUFS) and the Scheme for Integrated Textile Parks launched last year are aimed at addressing some of these problems. Under the Technology Upgradation Fund Scheme (TUFS), launched on April 1, 1999, loans amounting to Rs.14,901 crore have been disbursed to 6,739 applicants. Under the Scheme for Integrated Textile Park (SITP) launched in the last financial year to develop 25 Integrated Textile Parks (covering weaving, knitting, processing and garmenting sectors) of international standard, project proposals worth Rs.2,411 crore, (of which assistance from Government is Rs.862.55 crore) have been sanctioned. These projects are likely to be completed by March 2008.

Production of Fabrics (in million square meters)								
Sector	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08 (April-December) provisional
Mill	1670.0	1546	1496	1434	1526	1656	1746	1,308
Powerlooms (incl. Hosiery)	30,499	32,259	33,835	34,794	37,437	41,044	44,383	34,142
Handlooms	7,506	7,585	5,980	5,493	5,722	6,108	6,536	5,210
Others	558	644	662	662	693	769	724	543
Total	40,233	42,034	41,973	42,383	45,378	49,577	53,389	41,203
Source: Economic Survey 2007-08								

Presently, handloom weavers are facing severe livelihood crisis because of adverse government policies, globalisation and changing socio-economic conditions. There have been number of suicides. Ineffective implementation of the schemes meant for handloom development and the changed context of textile industry - increasing unfair competition from the powerloom and mill sectors - has been responsible for the crisis in the handlooms.

There appears to be an inadequate appreciation among the legislators and policy makers of the actual state of the handloom sector, the appalling conditions of weavers and the

fate of the policies meant for them, and the consequences therein for the individual, communities and the economy.

Government policies are increasingly influenced by the globalisation processes and are related to WTO-induced trade regimes. Government of India has been continuously reducing budget allocations for the handloom sector over the past several years. This is especially glaring in the last five years.

Comparative Reductions for Handloom sector

In the last ten years, budget allocation has been decreasing gradually and continuously, as the Tables here show. It is also interesting to see the overall budget for the Ministry has been increasing. It has grown by a factor of seven between 1997-98 to 2009-10 – from Rs.739.04 crores to Rs.5398 crores.

The reduction in budget for handlooms is inexplicable, when the Planning commission admits that handloom sector is still the major sector next only to agriculture in rural India. No positive programmes are being included in the Plans. Both the Ninth and Tenth Plans have failed the handloom weavers.

Rise in budget for non-handloom sector essentially mean that handloom is no longer considered as the mainstay of the Ministry of Textiles's work. There is a clear divergence from the pronouncements and budget allocations. Handloom sector is being 'weakened' by reductions in budget allocations and further by active promotion of powerlooms and mills.

In fact, rise in Non-Plan budget is also seen across all major heads of Ministry's budget. Plan outlays do not seem to have same kind of attention as before. To my understanding, Plan outlays mean a long term planning and a direction in government investments for sectoral growth. With

	Year	Handloom Budget			Total Budget			Handloom % of total
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	
1.	1997-98	107.00	96.50	203.50	260.00	479.04	739.04	27.5
2.	1998-99	89.80	61.80	151.60	260.00	726.58	986.58	15.3
3.	1999-00	81.80	56.50	138.30	266.00	740.10	1006.10	13.7
4.	2000-01	112.00	53.29	165.29	457.00	754.30	1211.30	13.6
5.	2001-02	116.00	40.50	156.50	650.00	660.30	1310.30	11.9
6.	2002-03	117.00	35.83	152.83	715.00	870.50	1585.50	9.63
7.	2003-04	129.77	125.91	255.68	760.00	947.84	1707.84	14.9
8.	2004-05	119.36	132.37	251.73	878.00	902.31	1780.31	14.1
9.	2005-06	131.00	63.89	194.89	1150.00	858.25	2008.25	9.7
10.	2006-07	150.00	91.29	241.29	1349.50	1696.25	3045.75	7.9
11.	2007-08	252.00	68.75	320.75	2243.00	893.68	3136.68	10.22
12.	2008-09	255.00	70.32	325.32	2500.00	823.51	3323.51	9.7
13.	2009-10	255.00	73.07	328.07	4500.00	898.00	5398.00	6.07

the rise in non-Plan allocations, the strategy seems to be more adhoc than long term, simply speaking.

Revision as a method of reduction for handloom

Further, while there is continuous reduction in the allocations for handlooms, utilization of the allocation is also not proper, as revised estimates show. Revision is always downward varying between 10 to 20 percent. Revision is normally done for two reasons. A genuine reason has been that given the trend of expenditure, by December, particular allocations are revised. This has something to do with budget deficit management. Gradually, a strategic reason emerged. It has become the practice to allocate more for politically sensitive subjects, appear politically correct in the Parliament and then revise them (invariably, reduce them). The whole revision, for whatever reason, implies and indicates the quality of governance. On this score even, governments have failed the handloom sector.

In fact, the Parliamentary Standing Committee on Labour (2004-05), in its sixth report, presented to Lok Sabha on 25 April 2005, commented on the under utilisation of funds allocated for handloom sector. The Committee noted that Plan allocations of the Ministry made for implementation of various Schemes remain underutilized year after year. The Committee was also not happy with the trend of Non-Plan expenditure of the Ministry.

Ofcourse, not just the revision, actual expenditure for the year explains the priorities of the government, and performance of the governments.

Variation between Budget allocation and Revision

There is a reduction in year-wise budget allocation and the revision done later on. This would mean that over and above the reduced allocation, government has failed in utilizing the allocating funds fully and properly. In addition, the ubiquitous presence of corruption, false/bogus claims and non-directional spending have essentially meant that handloom weavers do not get any benefits from the government, through allocations.

	Year	Handloom Revised			Handloom Budget			Variation %
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	
1	1997-98	96.39	78.37	174.76	107.00	96.50	203.50	-14.1
2	1998-99	80.72	58.06	138.78	89.80	61.80	151.60	-8.4
3	1999-00	78.25	46.92	125.17	81.80	56.50	138.30	-9.4
4	2000-01	85.00	45.65	130.65	112.00	53.29	165.29	-20.9
5	2001-02	95.77	30.67	126.44	116.00	40.50	156.50	-19.9
6	2002-03	112.10	100.30	212.40	117.00	35.83	152.83	+38.9
7	2003-04	111.31	84.06	195.37	129.77	125.91	255.68	-23.5
8	2004-05	108.96	90.68	199.64	119.36	132.37	251.73	-20.6
9	2005-06	177.64	68.49	246.13	131.00	63.89	194.89	+26.29
10	2006-07	186.45	44.97	231.42	150.00	91.29	241.29	-4.0
11	2007-08	239.04	68.00	307.04	252.00	68.75	320.75	-4.2
12	2008-09	254.70	92.96	347.66	255.00	70.32	325.32	+6.8

Though the average downsize revision is 6.4 percent for eleven years, per year the variation ranges from 4.0 percent to 23.5 percent. However, for two years, in 2002-03 and 2005-06, there is upscale revision. In 2002-03, there is downsize revision for budgeted heads of account. But the

upward revision is because of allocation of Rs.70 crores to reimbursement of CENVAT on hank yarn. Barring this new allocation, actual downsize revision is 6.75 percent.

The upscale revision for 2005-06 is explained by inclusion of allocations, under Plan outlay, for cluster development (Rs.5 crores), two schemes on insurance (Rs.34.56 crores), and addition to Deendayal Hathkargha Protsahan Yojana (Rs.14 crores). Regarding the insurance, the Finance Minister Mr. Chidambaram in his Budget speech (2005-06) said “The Government is implementing a life insurance scheme for handloom weavers which provides insurance cover up to Rs.50,000. At present, only 2 lakh weavers are covered. I propose to enlarge the coverage of the scheme to 20 lakh weavers in two years which will cost Rs.30 crore per year when fully rolled out. The Government is also implementing a health insurance package for weavers. Here too, the coverage is now only for 25,000 weavers. I propose to increase the coverage to 2 lakh weavers at a recurring cost of Rs.30 crore per year. Once the two new and enlarged schemes are approved, I propose to provide the required funds.” While this promise was fulfilled, in the revision, it was not continued in the subsequent year. The allocation in 2006-07 for two new insurance schemes was reduced to Rs.20 crores. And, Bunkar Bhima Yojana did not get any allocations at all. Probably, one needs to wait for the revision.

Handloom allocation in Revised budgets

Percentage of handloom allocation in Revised budget of the Ministry of Textiles ranges between 8.86 to 15.9 percent. There is more consistency in this than the actual budget. However, there is continuous reduction in the percentage of handloom budget in the total budget.

	Year	Handloom Revised			Total Revised			Handloom % of Total
		Plan	Non-Plan	Total	Plan	Non-Plan	Total	
1.	1997-98	96.39	78.37	174.76	250.00	842.26	1092.26	15.9
2.	1998-99	80.72	58.06	138.78	240.88	766.62	1007.50	13.7
3.	1999-00	78.25	46.92	125.17	260.45	817.27	1077.72	11.6
4.	2000-01	85.00	45.65	130.65	408.30	818.82	1227.12	10.6
5.	2001-02	95.77	30.67	126.44	610.00	816.33	1426.33	8.86
6.	2002-03	112.10	100.30	212.40	660.00	947.00	1607.00	13.2
7.	2003-04	111.31	84.06	195.37	675.00	900.00	1575.00	12.4
8.	2004-05	108.96	90.68	199.64	750.00	855.82	1605.82	12.4
9.	2005-06	177.64	68.49	246.13	1185.21	1106.82	2292.03	10.7
10	2006-07	186.45	44.97	231.42	1629.50	1364.11	2993.61	7.7
11	2007-08	239.04	68.00	307.04	2323.0	813.68	3136.68	9.7
12	2008-09	254.70	92.96	347.66	4092.32	1046.68	5139.0	6.7

In the year 1997-98, percent of allocations for handloom in the Budget was 27.5 percent. In the revised budget, this percentage is drastically reduced to 15.9 percent. The trend of reduction continues for the following years. Thus, one can see that the revision was also not on par with the allocations in the budget.

Comparative Revision

The downsize revision is more for handlooms than for non-handloom sector.

Table 4: More revision for Handlooms

	Year	Handloom			Non-Handloom			Diff.
		Budget	Revised	Variation %	Budget	Revised	Variation %	
1.	1997-98	203.50	174.76	-14.1	535.54	917.50	+71.3	High
2.	1998-99	151.60	138.78	-8.4	834.98	868.72	+4.04	+ive
3.	1999-00	138.30	125.17	-9.4	867.80	952.55	+9.7	+ive
4.	2000-01	165.29	130.65	-20.9	1046.01	1096.47	+4.8	+ive
5.	2001-02	156.50	126.44	-19.9	1153.80	1299.89	+12.6	+ive
6.	2002-03	152.83	212.40	+38.9	1432.67	1394.60	-2.6	-ve
7.	2003-04	255.68	195.37	-23.5	1452.16	1319.32	-9.14	Less -ve
8.	2004-05	251.73	199.64	-20.6	1528.58	1406.18	-8.0	Less -ve
9.	2005-06	194.89	246.13	+26.29	1813.36	2045.90	+12.8	Less +ve
10	2006-07	241.29	231.42	-4.0	2804.46	2762.19	-1.5	Less -ve
11	2007-08	320.75	307.04	-4.2	3136.68	3136.68	0	zero
12	2008-09	325.32	347.66	+6.8	2998.19	4791.94	+59.80	High +ve

Except for three years, 2002-03 to 2004-05, non-handloom sector received a positive revision, in comparison with the handloom sector. In 2002-03, there have been major changes in non-Plan allocations. The revision was zero for some and more others such as support to CCI for procurement of cotton. For all three years, within the non-handloom sector, reductions sometimes to zero have been related to natural fibres such as jute, silk and labour schemes. There have been rises for institutions and modernization schemes. Thus, the revision has been used to reallocate the committed funds.

Year-wise Direct Reductions in Handloom Budget

Above, one could see the clear reduction in comparison with other sub-sectors of Indian textile sector. Figures specifically show that government would not back handloom sector, when it is needed. Below, one can see how there are variations within the handloom allocations, year after year.

Table 5: Variation in Handloom Budgets across years

S. No	Year	Plan	Non-Plan	Total	Variation %
1.	1997-98	107.00	96.50	203.50	
2.	1998-99	89.80	61.80	151.60	-25.5
3.	1999-00	81.80	56.50	138.30	-8.7
4.	2000-01	112.00	53.29	165.29	19.5
5.	2001-02	116.00	40.50	156.50	-5.3
6.	2002-03	117.00	35.83	152.83	-2.3
7.	2003-04	129.77	125.91	255.68	67.2
8.	2004-05	119.36	132.37	251.73	-1.5
9.	2005-06	131.00	63.89	194.89	-22.5
10.	2006-07	150.00	91.29	241.29	23.8
11.	2007-08	252.00	68.75	320.75	32.9
12	2008-09	255.00	70.32	325.32	1.4
13	2009-10	255.00	73.07	328.07	0.84

In a span of ten years, the growth rate of handloom allocations was a mere 18.4 percent. In the same period, the growth rate for total textile budget was whopping 313.3 percent. Growth rate for handloom allocations as one can see in the Table was not straight either. There are wide variations, every year. Thus, even this small growth demonstrates that it is not linked with any definite plan but probably linked to electoral politics. The maximum growth was in the election year, 2003-04. The variation also cautions one to look into scheme-wise allocations. More detailed analysis would help in understanding where and how much has been reduced, and why there have been some higher allocations. Given the overall framework of reductions, definitely no positive intention can be seen, but manipulations to either pay up past commitments, or for some standard payments such as salaries and other departmental or institutional expenditure.

Reductions in Plan Allocations and Outlays

If the above analysis gives us an idea of a lack of any focused allocations, and a casual response to political needs, it would be interesting to see how the allocations under Plan have changed. The Tenth Plan (2002-07) outlay for handloom sector was Rs.625 crores, while for non-handloom textile sector it was Rs.3580 crores – 26.6 percent. Ninth Plan (1997-2002) outlay for handloom was Rs.452.50 crores and for non-handloom textile sector Rs.962 crores – 47 percent. This is discriminatory. However, the outlay as part of the Indian annual budget gives an entirely different scenario. In the 9th Plan, budget allocations exceeded Plan Outlays. But, difference in the case of allocations for non-handloom sector was much higher, than for handloom sector. Plan outlay for handloom was Rs.452.50 crores, while Plan allocations in the budget totaled Rs.506.60 – a mere 11.9 percent variation. Whereas, for non-handloom sector, Plan outlay was Rs.962 crores and the Plan allocations in the budget totaled Rs.1903 crores – a variation of 97.8 percent. Thus, during 9th Plan itself, the discrimination against handloom sector was clear.

S. No	Year	Handloom sector	Variation %	Non-Handloom textile sector	Variation %
1.	1997-98	107.00		260.00	
2.	1998-99	89.80	-16.0	260.00	0
3.	1999-00	81.80	-8.9	266.00	2.3
4.	2000-01	112.00	26.9	457.00	41.7
5.	2001-02	116.00	3.4	660.00	44.4
<i>9th Plan Total</i>		<i>506.60</i>		<i>1903.00</i>	
6.	2002-03	117.00	0.85	715.00	8.3
7.	2003-04	129.77	10.9	760.00	6.2
8.	2004-05	119.36	-8.0	878.00	15.5
9.	2005-06	131.00	9.7	1150.00	30.9
10.	2006-07	150.00	14.5	1349.50	17.3
<i>10th Plan Total</i>		<i>647.13</i>		<i>4852.50</i>	
Grand Total		1153.73		6755.50	

For handloom sector, Plan allocations in the Union Budget, between 1997-98 to 2005-06, totaled Rs.1003.73 crores. The revision, each year, for the same period, reduced these Plan allocations to Rs.946.14 crores – a reduction of 5.7 percent.

As per the “India Economic Road Map: The Next Five Years 2002-2007” (Planning Commission, 2002), “the Tenth Plan for manufacturing can be characterised simply: promote, support, assist, encourage, facilitate, simplify, decontrol and dereserve, and get on with it.” Going by this approach, this document does not even mention handloom sector, leave alone any policy on it.

Per capita expenditure

Per capita allocation of the government on handloom weavers is very low, compared to any other sector. The allocations of about Rs.200 crores for handloom weavers with a strength of more than 1.26 million is very low. The per capita expenditure is much lower, almost negligible. However, per capita beneficiary expenditure appears to be Rs.786.

	Scheme	Objective/outcome	Outlay (05-06)	No. of beneficiaries
1.	Deen Dayal Hathkargha Protsahan Yojana DDHPY	Assistance for basic inputs, restructuring of national and state level handloom organisations	70.10	4,50,000 (approx) - 8 states
2.	Workshed cum Housing Scheme	To provide worksheds/housing for weavers	5.00	5,500
3.	Weavers Welfare Schemes	Health package, thrift fund, Group Insurance Scheme, etc.	5.00	2,00,000
4.	Handloom Export Scheme	Dev. and Promotion of export of handloom products	4.50	50,000
5.	Marketing Promotion Programmes	Promotion of domestic market & public awareness regarding handloom sector	7.50	50,000
6.	Design Development & Training Programmes	To undertake R&E, setting up of WSCs/IIHTs, on line and off line of NCTD, design development, J&K package, etc.	10.40	15,000
7.	Integrated Handloom Training Programme (IHTP)	Upgradation of skills through IHTP	15.00	15,000
8.	Mill Gate Price Scheme and North	To provide hank yarn to weavers through NHDC	8.00	1,90,000

	East			
9.	Bunkar Bima Yojana	Insurance Scheme for Handloom Weavers	5.50	10,00,000
10.	Lump-sum provision for NER	Included in above schemes	25.00	Included in above Schemes
	Total		156.00	19,75,500

While one needs to be aware that these beneficiary figures may not be true, or accurate, the fact remains that the expenditure is very low. Even if one takes the argument that per capita analysis does not have a basis here, given the nature of work and state functions, it is important to see what makes the government to provide higher allocations to any sector: promoting growth to promote livelihoods. In such a situation, handloom sector should have much higher allocations.

Conclusion

The Planning Commission, Ministry of Textiles and Government of India seem to be approaching handloom sector from the political point of view, rather than looking at the basic needs of the handloom weavers. This approach is possibly the result of the recommendations of Satyam Committee, 1999, and also the negative approach of New Textile Policy, 2000. There is no change in this approach even after the change in the government and also there is no impact of the National Common Minimum Programme and the promises in the manifestos of the Congress and Left parties.

This is the situation despite the recommendations of the Parliamentary Standing Committees, the Inter-Ministerial Group of the Planning Commission, and Finance Minister's speech in the Parliament (2005-06 Budget speech).

It is time that government recognized the value of the handloom sector in achieving sustainable development of the country. On its own, government would never be able to provide employment to such a large workforce. Going by the logic of liberalization, government in turn ought to formulate, promote and encourage policies which sustain this employment, and cannot work to its detriment. Despite adverse conditions, due to larger support from the consumers and being a livelihood option for millions of weavers, handloom sector has been surviving, and has the potential to be so. Government has to ensure a 'level playing field' for this sector towards healthy competition among the different sub-sectors of textile industry.

One can only hope that atleast the recommendations of the draft National Handloom Policy and Planning Commission's 11th Five –Year Plan Working Group on Textiles for higher allocations to handloom sector is taken up in the next budget, 2009-10.