

D. Narasimha Reddy - No solution-driven agenda on suicides by weavers, unfair competition and input crisis in handloom sector

With no allocations for the Integrated Handloom Cluster Development Scheme, one is not sure what the FM is talking about expansion of the scheme to 120 clusters. It also hides the fact that the ICDP implementation is quite lethargic. The implementation agencies are not sure what the critical growth strategy for each cluster is. In 2006, only 18 clusters were identified.

One is not sure of the purpose of grouping 12 schemes into a five schemes. The evaluation of handloom schemes needs to be released, so that one knows what the government has learned about the implementation of various schemes, and whether the grouping of the schemes is a result of such evaluation.

There is no specific allocation for handloom mark. The Insurance schemes do not get any allocations. The promise of Rs.1000 crores to waive loans of handloom cooperatives has not been fulfilled. The extension of TUF scheme to handlooms has not helped it at all. So far no releases can be seen for the sector in this scheme. Yarn prices for cotton and silk fibres have risen from 50 percent to 300 percent in the last two years. Government has done nothing to help in this regard. While there is no noticeable increase in the allocation for Mill Gate Price Scheme, the claim of opening 273 new yarn depots need to be checked. It is well-know fact that the yarn priced at NHDC depots are higher in reality than in the open market.

While the total releases of grants-in-aid to the state governments under handloom schemes across India for 2005-06 totalled Rs.153 crores, in 2006-07, in a period of seven months, the releases total Rs.76 crores - just about 1/2 of the previous releases. If this trend continues, the releases would be far less than committed.

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. Budget 2007-08 does not reflect the promises made by the Prime Minister and the Ministry of Textiles in recent months.

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 four times between 1997-98 to 2006-07 – from Rs.739.04 crores to Rs.3045.75 crores.

Table 1: Budget Allocations: Union Ministry of Textiles (in Rs. Crores)								
	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
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11	2007-08	252.00	68.75	320.75	2243.00	893.68	3136.68	10.22
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Source: Compilation by CHIP, 2007.								

The reduction in budget for handlooms is inexplicable, when there is talk of inclusive growth.

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.

Over and above the reduced allocation, government has failed in utilizing the allocated 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.

Table 2: Revised Budget in Rs. Crores								
	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
	Total	1132.59	648.17	1780.76	1153.73	757.88	1911.61	-6.8

Source: Compilation by CHIP, 2007

Though the average downsize revision is 6.8 percent for nine years, per year the variation ranges from 8.4 percent to 23.5 percent. Percentage of handloom allocation in Revised budget of the Ministry of Textiles ranges between 7.7 to 15.9 percent. There is more consistency in the reduction through revision.

Table 3: Revised Budget in Rs. Crores

	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

Source: Compilation by CHIP, 2007

The downsize revision in 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

Source: Compilation by CHIP, 2007

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.

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

Source: Compilation by CHIP, 2007

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.

Table 6 : Variation in handloom budget in 5-year Plan allocations

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	

Source: Compilation by CHIP, 2007.

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 year, reduced these Plan allocations to Rs.946.14 crores – a reduction of 5.7 percent.

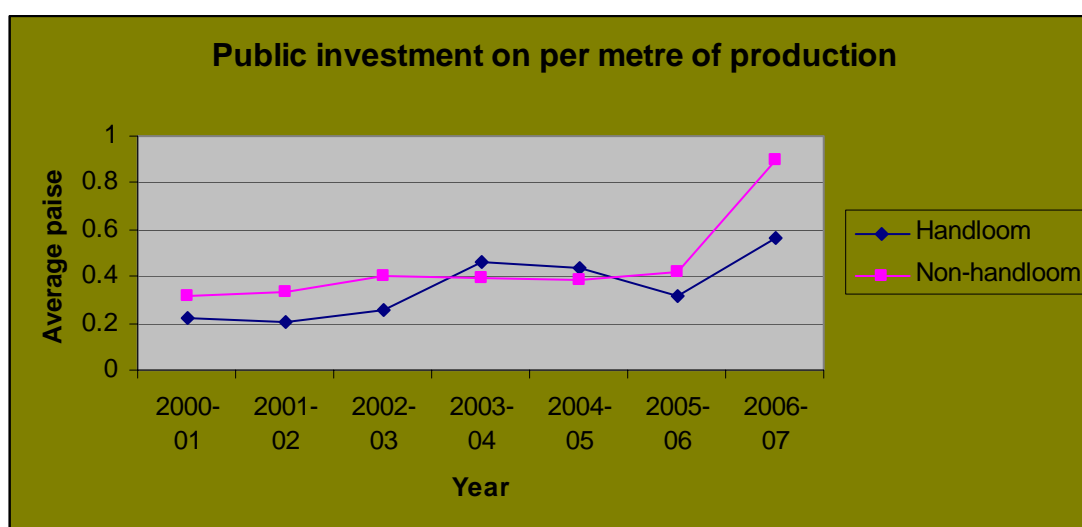
As per the “India Economic Road Map: The Next Five Years 2002-2007” (Planning Commission, 2002), “the Tenth Plan for manufacturing can be characterised simply: promote, support, assist, encourage, facilitate, simplify, decontrol and dereserve, and get on with it.” Going by this approach, this document 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.

Big disappointment

Handloom budget is a mere 0.1 percent of the national budget. Investment on handloom sector per metre is a mere 56 paise in 2006-07, while for the non-handloom it is 89.8 paise



Source: Compilation by CHIP, 2007.

Courtesy: Centre for Handlooms Information and Policy

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