

**Inclusive Growth in Handloom Sector:
An Appropriate Strategy to Utilize Opportunities**

Approach Paper¹

Background

Handloom sector is known as a very old textile production mode. In the last 100 years, it has accommodated many socio-economic changes in its fold, and yet has been able to provide employment to lakhs of families in India. However, the changes in the last decade have been tumultuous and revealing. Growth of handloom sector in the last decade and half has become a challenge, and sustenance of livelihoods in this sector has become a major goal for both the government and others.

The Rs.50,000 crore per year turnover in this sector has been impressive. The promise of near about Rs.1 lakh crore market demand has become an opportunity.

More than 3 crore families are dependent on this sector for their livelihoods. Properly handled, with an emphasis on human resource development and a sector capable of absorbing them in productive employment, the presence of skilled weavers in an environment, where investment is expanding and the industrial world is ageing, would be a major advantage. This is a business, that too an artisanal business catering to the whims and fancies of textile lovers around the world. It is a serious business, wherein there are established practices and principles.

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Time warp has been hitting these characteristics. It is also bringing to light the hollowness of growth strategies and is also questioning the established premises and models of business and product development.

This paper is an attempt to look at these growth strategies and tries to bring in a fresh perspective that needs to be debated and adopted widely.

Objective

The core objective is to sustain the livelihoods of handloom weavers through higher incomes, better working and living conditions and enabling the growth of handloom sector.

Opportunities²

⌘ Rising power costs

Handloom production is completely independent of power/electricity. It does not require expensive investments on electricity production and supply facilities. Its working capital does not include such costs.

⌘ Rising production cost for non-handloom textile products

Non-handloom sectors, such as powerlooms and textile mills, are completely dependent on power-driven machines. Their production has become volatile, with the rising power costs and power shortages. Government is now forced to think of capital investments in billions of dollars, even ignoring the concomitant environmental costs, just to sustain this production. Obviously the costs are on the rise. Industry is forced to ask for subsidies. With liberalisation, governments are increasingly wary of such subsidies in the long run.

² “Vision for Indian Handloom Industry 2009-2014”, Chamber of Handloom Industry and Commerce (I-CHIC), 2009

Dr. D. Narasimha Reddy

¶ Slow down in imports, esp. fabric and clothes

Due to recession, there has been a slow down in textile imports, esp. fabric, clothes and/or garments, which have been competing with the domestic production. This slow down would help domestic textile sectors to recapture the market space lost earlier.

¶ Slow down in raw material exports, esp. cotton and cotton yarn

Due to recession and inflation, there has been slow down in textile exports even, especially the raw material exports. Access to raw material is a major issue. With the reduction in export demand, there would be higher availability of raw material for the domestic industry.

¶ Environmentally-acceptable production methods

World over, including Indian markets, are now geared to highlight and publicise environmentally acceptable production methods, primarily due to rising awareness on climate change and carbon problems, which are enveloping the Earth.

¶ Skilled labour at low wages and growing market demand

India, like China, is now a major player in textile trade, primarily because of the availability of cheap skilled labour and big domestic markets. Indian textile sector is the biggest in the world, and employs more than 35 million persons.

¶ No major investments on infrastructure is required

Handloom sector does not require major investments on infrastructure, in comparison with its competitors. This is a huge advantage with the government, whose resources are always stretched in responding to infrastructure needs.

While these opportunities and sustained performance reflects the strength of the handloom sector in India, it is also true that large parts of handloom weavers are still to experience a decisive improvement in their standard of living. The percentage of the handloom weavers below the poverty line has to decline, even at a modest pace. Far too many handloom weavers still lack access to basic services such as health, education,

Dr. D. Narasimha Reddy

clean drinking water and sanitation facilities without which they cannot be empowered to claim their share in the benefits of growth. These problems are more severe in some States than in others, and in general they are especially severe in rural areas.

Inclusive Growth

The current situation provides an opportunity to restructure plans to achieve a new vision of growth that will be much more broad based and inclusive, bringing about a faster reduction in suicides among handloom weavers and helping bridge the divides that are currently the focus of so much attention.

Rapid growth has to be an essential part of the strategy since it is only in a rapidly growing handloom sector that we can expect to raise the incomes of handloom weavers sufficiently to bring about a general improvement in living conditions. Fortunately, the growth objective is now more achievable than it has ever been. Work done by Chamber of Handloom Industry and Commerce and elsewhere suggests that the handloom sector can grow between 3% and 4% per year on a sustained basis provided appropriate policies are put in place.

It is also possible to adopt policies that will ensure that this growth is broad based, benefiting all segments of handloom sector, and especially the women.

This must be accompanied by a major effort to provide access to raw material, working capital, capacity building through EDPs and provision of basic facilities such as health, education, clean drinking water etc., to large number of handloom weavers who do not have such access at present. These essential production services not only impact directly on production in the short run, they also determine growth opportunities for the future. Access to these services is not necessarily assured even when growth leads to rising income levels. Governments at different levels must ensure provision of these services. Improved levels of raw material and working capital are in fact critical inputs that determine the growth potential in the longer term.

Even if we succeed in achieving broad based and inclusive growth, there are many groups that may still be marginalised. These include weavers in remote areas, shed workers, low skilled, older weavers, and others who do not have strong lobbies to ensure that their rights are guaranteed. A growth plan must pay special attention to the needs of these groups.

The private sector, including master weavers, small scale enterprises, NGOs and the corporate sector, has a critical role to play in achieving the objective of faster and more inclusive growth. This sector accounts for 85% of the total investment in the handloom production and public policies must aim at creating an environment in which entrepreneurship can flourish. However, it will also call for a substantial increase in the allocation of public resources for plan programmes in critical areas. These resources will be easier to mobilise if the handloom sector grows rapidly. The growth component of the strategy is therefore important for two reasons: it will contribute directly by raising income levels and employment for the handloom weavers in general and it will also help to finance programmes that are necessary to ensure that growth is more broad based and inclusive.

All this is feasible but it is by no means inevitable. Converting potential into reality is a formidable task and cannot be achieved if we simply continue on a 'business as usual basis'.

There is need for a self critical look at our programmes and policies to see what is working and what is not. Programmes designed to achieve particular objectives often fail to do so even though substantial expenditure may be incurred on them. We need to move away from a focus on outlays to a hard look at outcomes.

Major Challenges

Inclusive growth strategy would face the following challenges:

1. Unit value

Handloom sector has been a traditional industry with its own systems and practices. Its integration to modern business and production principles has not yet begun. The core issue is arriving at a unit value, related to production volumes. Without a unit value, integration of handloom growth plans with modern market mechanisms has become a challenge.

2. Production costing

Costing of production, including wages and other incidentals, is again based on traditional mores and habits. This has become a contentious and vexatious issue, precluding any modern investment to come in. No innovative approaches have been brought in to respond to this challenge.

3. End-product pricing

With major loopholes in the above two, end product pricing has been irrational and has no link to any modern principles of marketing. The dominance of retail trade in this is complete. As a result, investment in production, which does not benefit from market pricing and end-production pricing has been very slow, low or nil at best.

4. Mode of utilising public funds

Public funds have always found the habitual route of cooperatives. This was the best in 1960s and 1970s. But there are other options even. However, public fund managers are yet to think of any innovation in routing development and welfare programmes through other means, instead of completely being dependent on cooperatives. In fact, cooperatives have lost their original intent of being a cog in the growth of handloom sector, and have become mere channels for public funds. Leakages in these channels are a major cause of concern for policy makers and bureaucracy, which is impacting on the intent for any higher budgetary allocations.

Dr. D. Narasimha Reddy

In fact, the 11th Five year Plan Approach paper says, “A major institutional challenge is that (even) where service providers exist, the quality of delivery is poor and those responsible for delivering the services cannot be held accountable. Unless such accountability is established, it will be difficult to ensure significant improvement in delivery even if additional resources are made available. This is a major challenge of governance that must be faced.”

5. Communication loop between weaver and the consumer

Communication between the weavers and the consumers is open, and not closed. When the loop is closed there would be a continuous flow of information. Knowledge and information of markets and consumers is very low in handloom sector. This needs to be addressed and improved through specific initiatives involving other market institutions.