

# ***Policy Brief on Handloom Sector 2010***



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### **Introduction**

Handloom sector is a very ancient industry in India. Features of this sector vary across India. In some parts, it has attained the status of a mature industry, and in other parts, it is still an enterprise confined to the needs of the particular home.

Given the changes in the society in the last 100 years, there has been growth of mechanized textile production across the world, principally driven by Industrial revolution and by Western countries. Gradually, due to competition and for other reasons, handloom has lost much of its markets, and is almost non-existent in most countries. However, handloom sector is still a force to reckon with in India, and some of the South Asian and Asian countries such as Srilanka, Bangladesh, Thailand, and Cambodia.

In India, textile sector today comprises four important segments viz., modern textile mills, independent powerlooms, handlooms and the garment sector. Though there is a huge, informal tailoring enterprise it has never been studied or considered for any kind of attention, leave alone policy. There are also sub-sectors like textile machinery manufacturing and spinning sectors, which form part of the textile sector.

Among all these, handloom sector being the oldest has different features in different parts of the country. It employs the largest number of people. However, it is considered as a sunset industry, and there is an air of inevitability given the relentless march of mechanization, modernisation and sophistication.

However, there are many advocates among the Indian population, who support the cause of handlooms for various reasons, including ideology, philosophy, sheer love for handloom products, economic arguments, etc... Irrespective of the policies, projects, and aspirations arising out of various quarters, handloom sector is undergoing changes which are impacting on the livelihoods of the handloom weavers. Some of the factors are internal and some are external factors related to the growth of modern textile sector.

Before discussing these changes, it would be worthwhile to note some of the hard facts (substantiated by statistics) of the handloom sector.

### **Features of Handloom Sector**

Handloom sector is an important cottage industry in India, and is a very old profession. Handloom weavers are known for their knowledge, innovation and brilliance in designs. Weaving is now considered almost an art form, considering deployment of skills and knowledge. This sector, estimatedly, provides employment for more than fifteen million people and is second largest rural employment provider next to agriculture. In Andhra Pradesh, there are more than 3 lakh handloom weaving families. In comparison with other traditional rural sectors, handloom weaving is a full-time family profession, involving all the members of the family.

In Andhra Pradesh, there are about 3,20,000 handlooms. About 5,00,000 families are directly, while indirectly 20,00,000 families, dependent on them. Major handloom centers include Chirala, Mangalagiri, Pedana, Ponduru, Polavaram, Pochampalli, Puttapaka, Gadwal, Dharamvaram, Emmiganur, Madhavaram, and Narayanpet. Each center has its unique identity of producing varieties of handloom products. Large numbers of handloom can be seen in north coastal Andhra (Srikakulam, West and East Godavari district), south coastal Andhra (Krishna, Guntur, Prakasham, Nellore), Rayalseema (Cuddapah, Kurnool, Chittoor, Anantapur) and Telangana (Nalgonda and Warangal district). In districts such as Karimnagar, Medak and Vijayanagaram, a few thousand handlooms can be seen. In all centers of Andhra Pradesh, production is geared for domestic market only.

In the entire country, there are more than 38,00,000 handlooms. However, in north-eastern States, there are more than 15,00,000 domestic handlooms. Handlooms in north India and South India are geared for commercial production catering to the needs of domestic market and also exporting their products abroad.

Estimatedly, there are about 12.5 million people dependent on handloom weaving. In view of this, the national and State governments have provided for schemes to safeguard the interests of the weaving community. These schemes pertain to production inputs, market support, development and welfare of the weavers. However, in spite of the legislative policy safeguards and supportive schemes involving huge budgeting, financial allocations, the handloom industry has been experiencing periodic crises. The principal cause being the bias towards modern technologies and industrialization, and inadequate understanding of the socio-economic realities relevant to the textile sector.

Formal education system has not included this important profession in its fold. As a result, any innovation and change has been left to the handloom weaving families. Over years in the recent decades, due to lack of information and fast paced changes, practices in handloom sector became static and apparently became redundant. Formal research institutions, Universities and other institutions have not included this sector in their working agendas.

In the era of globalisation, information access has become very critical, more so for traditional communities who are dependent on professions that have extreme relevance as livelihood platforms for crores of people. Handloom method of cloth production is also environment-friendly, and would be supportive of sustainable development policies aimed at reduction of negative impacts on environment and ecology. Handloom sector is an important channel for balanced sustainable economic growth.

Presently, handloom weavers are facing severe livelihood crisis because of adverse government policies, globalisation and changing socio-economic conditions. While earlier advocates of handloom sector within policy making circles were extremely popular, and their arguments were valued, presently there is no longer a protagonist section. As a result, decisions of the government have been extremely adverse, retrograde and detrimental to the interests of the handloom weavers.

In this information age, information availability and access, in different forms, is crucial for growth and also enhances the ability of the sector to remain competitive and vibrant.

Textile sector in India is growing, and has been undergoing enormous changes within its structure, which are affecting its characteristics. The profession of handloom weaving has been one of the main factors of growth in Indian economy, promoting inter- and intra-relationship between different communities. This sector has been considered important for the sheer magnitude of people endowed with traditional artisan craft skills attuned to the local needs and resources. The scope and range of the sector is now being enhanced by the growing relevance of environment-friendly technologies in the clothing industry. Awareness and debate from local to global level on these technologies is being promoted by the policies of WTO and several environmental organizations in their given spheres. However, in the present situation, there are too many issues, which are impinging on the development of this sector. There is a need to develop broader understanding of its multidisciplinary perspective, which is more needed in the present circumstances of globalisation and environmental degradation, particularly in relation to development.

Presently, government policies are increasingly influenced by the globalisation processes and are related to WTO-induced trade regimes. As the controls on exports get liberalized and the domestic markets become open to imports, the textile scenario in the country is likely to undergo drastic changes in terms of skills, inputs like designs, market trends and changing demands therein. The question before us is: whether these changes include the interests of large number of weavers who are still practicing their skills and knowledge, honed over centuries? Do we have a moral obligation to preserve certain amount of these skills to the coming generations? If so, where do we strike the balance between mass production and production by the masses? Is there a need to work out viable models of sustainable utilization of resources?

Ineffective implementation of the schemes meant for handloom development and the changed context of textile industry - increasing competition from the powerloom and mill sectors - has been responsible for the crisis in the handlooms. However, lack of information to the weavers regarding various policies and schemes is no less a significant cause for the dwindling fortunes of the weaver community. In addition, 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. It is saddening to note that even the government departments and implementing agencies related to handlooms suffer from inadequate information and data resulting in a widening gap between policy formulation and implementation.

Handloom sector was a nationalist activity and identified completely with Gandhian agenda. Handloom weaving and related activities became symbolic for the Indian Independence struggle. In earlier planning at the national level, development of handloom sector was seen as stimulation for rural development, considering the usage of local resources, local craftsmanship and catering primarily to local markets. In the first decades of India's Independence, all national policies emphasized on this. However, now the thinking at the apex policy level is that handloom sector is a redundant profession and is a burden on the government exchequer. However, for somebody

at the ground level, it is clear that the present policy discourse is devoid of the realities of the handloom sector, and has generally avoided inputs from the handloom community. Political leadership, in general, has been avoiding taking up the cudgels on behalf of this community.

Consequently, there is no discourse on handloom policies and also the replacement/downsizing of the whole set of existing policies. Handloom weavers have no say in policy matters. They have no channels of communication and information. Despite various welfare policies, handloom weavers are poor and vulnerable and their economic situation is precarious. Corruption is pervasive. Handloom weavers have lost faith in these structures. However, their choice is limited.

### **Strengths of Handloom Sector**

Handloom sector continues to employ large number of people in rural, semi-urban and urban areas of India. In some states such as Andhra Pradesh, Tamilnadu, Kerala and Karnataka, Uttar Pradesh, Gujarat, Rajasthan, North Eastern States, Madhya Pradesh, Orissa, West Bengal, this sector is visibly large and dominant in certain categories of clothing.

Market for handloom products is still large and wide. There is good domestic market as well as international market. There are die-hard consumers who would 'support' handloom products for every reason they can hold onto.

Handloom sector continues to provide direct and indirect employment. There are estimatedly 32 other sectors which are dependent on handloom production, in various ways, including transportation, financial services, marketing services, service and maintenance services, hotels, etc. Many handloom centres are well known tourist spots, drawing visitors from far places of India and foreign countries as well. Thus, part of the tourism industry's fortunes is also influenced by handloom sector and its fame.

Handloom sector has umbilical linkage with cotton farmers and rural farm economy. Agricultural labour gets employment in handloom sector in non-agricultural seasons.

Handloom sector has self-sustaining mechanisms, including training for young weavers, irrespective of gender. The inheritance of skills, resources and capacities is beyond the realm and reach of any modern training and educational institution. It is a facilitation process, which is not dependent on the government and or any modern formal institution. There is also sufficient flexibility for all types of communities to take up handloom production as a profession.

Handloom sector is part of the culture and ethos of India and its glorious past. It has emotional bondage with nationalism and the champions of nationhood. It had a principal role in public opinion formation during the Independence struggle against the 'imported' goods and 'imposed' industrialisation.

Handloom production has significant contribution to the national GDP and export earnings. Thus, it has some influence over the foreign exchange levels and the well-being of the economy.

## **Relevance in Modern Economy**

Handloom sector has different strengths in the modern economy. It is simple, appropriate technology, the knowledge of which lies with the people. Knowledge dissemination is not locked in any consultancies, or training institutions. The very essence of this technology is that it can be assembled by anybody within no time. It is not expensive either to erect or dismantle it.

In a world, which is gasping for clean air and water, and vibrant soil, caused by the pollutants and impacts of the modern textile mills and powerlooms, handlooms are eco-friendly. The environmental impact of a handloom is far below its more modern competitors. It is an independent and autonomous technology. Energy impacts from handloom technology are almost zero.

While the world is becoming modern and globalisation is happening, fashions are also changing rapidly. Fashions are increasingly becoming customized-production i.e., productions of clothes or garments for particular person. This is possible on handloom with much more ease and lesser cost. Customised textile production is possible only with handloom technologies.

## **Continuing Crisis**

Handloom sector has been in crisis in different time for different periods, for the same set of reasons. Earlier attempts by the governments in the 1960s did address some of these issues, though they could not solve them completely. During the ATC-scenario, between 1995-2005, given the apathy and discrimination of the government, the very same issues with new set of factors have once again pushed handloom weavers into crisis.

Often, in discussions and deliberations on handloom sector, symptoms are recognized as factors. As a result the whole discussion is becomes cyclical, with no conclusion reached. It is important that critical factors are addressed, and not the symptoms or consequences of critical factors. Further, it is important to come up with a suggestion that addresses the critical factor, and not the symptom alone.

Any industry, the world over, requires public policy support. Handloom sector is no exception. While it is true that handloom sector is major source of employment, one cannot ignore the fact that it is also an industry. The strength of the handloom sector is its large and skilled labour. This is also the strength of the Indian textile sector. One needs to enhance this strength and address factors that weaken this strength. Modern economists should keep in mind the fundamental economic principle: maximum good for the maximum people.

## **Critical factors**

There are many problems in handloom sector. Most of the factors which cause these problems have their origin in conditions, which are outside the control and access of average handloom weaver. This viewpoint is at variance with the popular notion in the textile policy circles that problems in handloom sector start and end with the attitudes of the weavers towards change, and the social change towards mechanized production. Market demand for handloom products

establish the fact that handloom has survived the consumer attitude. Hence, the following problems of handloom sector have to be viewed from point of policy interference, like any other production sector, which has been contributing to GDP and national growth.

### 1. Raw Material supply

Access to raw material such as yarn, dyes and dye stuffs has become a problem. Since this is a rural and semi-rural production activity, weavers have to go far to get these raw materials. On the top of it, the prices are steadily increasing. Hank yarn availability is serious issue because it is controlled by modern spinning mills, who see more profit large-volume cone yarn than hank yarn. Secondly, since hank yarn is tax-free and has subsidies, enormous amounts are diverted to powerloom and mill sector. As a result, there are perennial shortages of yarn. Despite a few schemes, hank yarn access has not been solved, and the seriousness continues to grow. Colours have been expensive, and presently there is no system or mechanism to increase their availability to weavers.

The Hank Yarn Obligation was introduced in 1974 to require spinning mills to process 50 percent of their deliveries in hank form, with at most 85 percent in 40s count or below. However, this Obligation did not solve the problem of access to yarn for the handloom weavers for various reasons.

The Hank Yarn Obligation (HYO) requires spinning mills in practice either to process about a quarter of their deliveries in the form of a yarn used by handlooms or to transfer the obligation to other firms. Manually reeled, hank yarn is rarely made in-house since production uses older machinery and requires a work-force (mostly women) half as large as that of the total factory. Instead, most mills pay others from 25 paise to Rs 1 per kilo to fulfill the obligation, itself calculated on the basis of a percentage of the net qualifying amount after exemptions for exports, for own consumption in composite mills, and for hosiery and blended yarn output.

Tax exemptions on hank yarn, for instance, make it profitable to declare cone yarn (used by powerlooms and composite mills) illegally as hank yarn. Since the combined effect of tax exemptions and production controls is to lower hank yarn prices relative to cone yarn, non-handloom weavers often use the former. The leakage is estimated at 15-40 percent.

The Planning Commission Working Group on Textiles for the 11<sup>th</sup> Five Year Plan recommended that the Hank Yarn Obligation Scheme may be reviewed, and the possibility of evolving an alternate mechanism to ensure the supply of adequate quantities of yarn to the handloom sector may be considered.

Government of India introduced the Mill Gate Price Scheme in 1992-93 with the objective of providing all types of yarns to handloom weavers' organizations at the mill gate price. The National Handloom Development Corporation (NHDC) is the only agency authorized to implement the scheme. NHDC has got 110 functioning Yarn Depots set up by associating State Handloom Corporations/Apex Bodies/Weavers Cooperatives/Exporters/Master Weavers, etc., from where yarn is being supplied to weavers at mill gate prices. Additional 273 yarn depots have been opened this year.

However, this scheme is miniscule, compared with the need in terms of quantity, quality and timely availability. With the market demand growing to Rs.1,00,000 crore, handloom sector requires more and more allocation for such a scheme.

Year wise supplies of yarn in quantity and value terms under the Scheme during Tenth five year plan are as follows:

**Supplies of yarn during the Tenth Five Year Plan**

<b>Year</b>	<b>Qty (in Lakh Kg)</b>	<b>Value (in Rs. crore)</b>
2002-03	397.98	331.11
2003-04	242.77	240.71
2004-05	202.38	223.08
2005-06	220.86	228.16
2006-07 (Upto 20 <sup>th</sup> Oct., 2006)	186.67	171.77

2. Market for products

Regulations were imposed on both mills and powerlooms to protect the handlooms from their unequal competition. The most important among these was the reservation of products for the exclusive production of handlooms. However, the reservation introduced for 8 items in 1950 was not very effective. Out of these 8, 5 items were reserved for both handlooms and small powerloom units. To correct this, the Handloom Reservation Act of 1985, reserving 22 items for the exclusive production of handlooms was introduced. However, it could not be implemented till 1993 due to the legal dispute posed by the mill and powerloom lobby in the Supreme Court. To overcome this, Abid Hussain Committee recommended the inclusion of the Act under the Ninth Schedule of Constitution but this was never considered (GOI: 1990). The Mira Seth Committee recommended the reduction of the number of items reserved from 22 to 11 and recent annual report of Ministry of Textiles indicates that this has been implemented (Ministry of Textiles: 2001). Even after the Act came into effect from 1993, the number of violations reported in the annual reports has been shocking low, to the tune of five to fifteen from all over the country (Ministry of Textiles: 2001). Thus, despite the demands of weavers the Reservation Act has never been implemented efficiently and effectively. In addition to this, the approach paper to Tenth Plan [Approach Paper to Tenth Plan (2002-7): p19], suggests that reservation is uneconomical in the wake of liberalization and hence has to be phased out eventually.

Most State governments including the GOI did not dare to expend the budgets earmarked for enforcement. In 2001-02, AP government did not expend anything on enforcement despite availability of funds. Accompanying Table demonstrates the lax attitude. For example, it is widely known that Uttar Pradesh (Mau and Benares), from where Kota Doria sarees produced on powerlooms are being exported to Kota in Rajasthan, as handloom products where there are no machinery. Enforcement allocations to Rajasthan does not make any sense in this case. Similarly Narayanpet sarees, of Andhra Pradesh, produced on powerlooms in neighbouring Karnataka, do not get any protection. It is not just an inter-State problem but intrastate enforcement across the country is lax. This does not receive the required attention by government officials as they tend to brush this away as irrelevant in their work.



Statement Showing Assistance Released under Implementation of the Handlooms Act, 1985 for  
setting up of the Enforcement Machinery  
(Rs. in Lakhs) as on 29/08/2005

S. No	Name of the State	Amount Released during Xth Plan			
		2002-03	2003-04	2004-05	2005-06 (Apr-Aug.)
1	Andhra Pradesh	17.93	0.00	0.00	-
2	Bihar	0.00	0.00	0.00	-
3	Gujarat	18.66	39.25	19.20	34.18
4	Haryana	6.05	7.68	5.60	-
5	Kerala	0.00	0.00	0.00	-
6	Madhya Pradesh	6.88	5.99	7.19	-
7	Rajasthan	8.73	10.11	23.41	4.19
8	Tamilnadu	61.75	38.08	64.60	41.16
9	West Bengal	0.00	18.89	0.00	19.66
	Total	120.00	120.00	120.00	99.19

Source: Ministry of Textiles, Govt. of India

The Working Group of Planning commission for 11<sup>th</sup> Five year Plan recommended the review of this.

Handloom products require more visibility. This means better and wider market network. One-off exhibitions organized with the support of government might support, but do not suffice. Presently, handloom products are available only in fewer places.

### 3. Working Capital

The entire spectrum of policy interventions for credit delivery is centered around cooperative institutions consisting of weavers cooperatives as recipients of credit and the cooperative banking system as providers of credit services<sup>1</sup>. Here, the National Bank for Agriculture and Rural Development (NABARD) plays the crucial policy making role.

NABARD estimates that only 20 to 25% weavers operate within the cooperative fold and that this number is also on the decline. This implies that, by the very nature of the intervention, over 75% of the weavers today are left out of the formal financial delivery mechanism. As a result of institutional preference, there were no significant policies in the past to provide credit to weavers and stakeholders outside the cooperative sector. Only recently has NABARD started to respond to other stakeholders.

Over the last seven years, credit flows (utilisation) has declined from Rs 586 crores in 1998-99 to a level of Rs163 crores in 2004-05. A worrisome feature of this decline has been the growing gap between the cash credit limits sanctioned by NABARD and the actual amounts utilised by the State Cooperative Banks (SCBs). In 1998-99, the overall utilisation by SCBs was 78% of the sanctioned limits, but this gap increased to 47% in 2004-2005, clearly indicating that in spite of higher available CC limits, the cooperative system is not able to utilise it. In one district cooperative bank, of the sanctioned credit limit of over Rs 3 crores to the Weavers Cooperative Societies (WCSs) for the current year, the withdrawals were just Rs 5 lakhs. There are WCSs who have even stopped using CC limits.

One of the important reasons for the failure of the formal institutional credit delivery mechanism has been the precarious financial position of the District Central Cooperative Banks (DCCBs) and the SCBs entrusted to extend credit facilities to the WCSs. While the number of SCBs incurring losses is only 4 against the remaining 27 that are profit-making, for the DCCBs, the situation is not the same. Of the 365 DCCBs in the country, in 2003-2004, 102 were in losses and remaining 263 in profit. The losses were Rs 758 crores. According to NABARD data, accumulated interest and total loans outstanding with all the WCSs and their apex cooperative structures of 30 states is Rs 1,008 crores at the end of 2004-2005.

The Artisan Credit Cards (ACC) introduced in 2003 offer a potential credit delivery channel to reach a large number of weavers within and outside the cooperative fold. In principle, its design also offers the potential to reach weavers who have been stuck with a non-performing cooperative structure at the village level.

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<sup>1</sup> Dr. Ajit Kanitkar, for All India Artisans and Craftworkers Welfare Association, New Delhi, March, 2006

NABARD in 2005 has introduced guidelines for banks to experiment with Self-Help Groups (SHGs) of weavers. The experience in SHG promotion methodology shows that it takes at least one year for the group to develop a healthy group dynamic in addition to regular savings. The group then becomes credit worthy.

### **Policy turns and Failures**

Handloom sector is amidst a crisis borne out of policy apathy and bad governance. While the markets have been responding by increasing the demand for handloom products, handloom weavers are finding it harder and harder to cope with low wages, markets risks and rising cost of production. There are number of factors which led to this situation. Appallingly, the response of the government has been poor and negative. While every policy document talks about the need for growth and sustenance of employment, handloom sector does not deserve the attention at a level that is required.

Broadly, three phases can be seen for handloom sector in Five-year Plans:

Early phase included:

- \* increasing employment
- \* increasing production
- \* cooperativisation
- \* protection
- \* ensure supply of inputs

Second phase included:

- \* modernisation
- \* protection
- \* welfare

Third Phase includes:

- \* Modernisation
- \* Competition
- \* 'Market is the answer' approach

### **Pre-1985 period**

For a long period, after Independence, government was pushing for modernization in Indian textile industry. This period, however, government through Five year plans was committed to the growth of handloom sector. Handloom sector found place in all Five year Plans. In the 1960s and 1970s, there was huge thrust on the formation and encouragement of handloom cooperatives. These cooperatives increased the access of weavers to both inputs and markets.

### **1985-1995 period**

In 1985 government announced a new textile policy. This was a period when Mr. Rajiv Gandhi wanted to take India into 21<sup>st</sup> century – meaning to modernize. Modernisation became the slogan of the government, and the ruling clique. Soon, textile policy and governance started reflecting

this trend. The New Textile Policy for the first time acknowledges the need to diversify into man-made fibre-based textile production. It also acknowledged the presence of growing number of powerlooms piggy backing on government support. At this stage, a slogan was floated, “Cotton for the masses and polyester for the classes”. Reliance and its brand (Garden Vareli) established their market presence in this period. This was done to placate handloom sector and its champions who were still powerful.

A Handloom Reservation Act was also brought confining handloom products to 22. All other textile products were open for competitive production and marketing. But this Act was challenged, and after so many years, Supreme Court had upheld the Act. By then, government had lost its interest in the implementation of the Act.

With cotton farmers committing suicides in 1987 in AP, and in subsequent years by the handloom weavers, there was a notice of this new phenomenon. But this did not deter the government to push for economic reforms in early 1990s, through the combine of Dr. Manmohan Singh and Sri. P. V. Narasimha Rao.

As India started moving into WTO regime, despite protests, there were not many voices asking for the cause of handloom weavers. Meera Seth Committee in 1995 recommended the downsizing of the reserved handloom products from 22 to 11.

### **1995-2000 period**

With India signing the WTO agreement, which included 28 agreements, India has indicated its agreement to compete in textile trade at the global level, by freeing its own markets. One of these agreements included Agreement on Textile Clothing. While everyone was worried about surge in imports, not many noticed other developments in Indian textile sector.

In 1997, World Bank charted a positive growth scenario for Indian textile industry through exports. An export-oriented policy was clearly asked for. However, for this to happen, World Bank recommended the removal of restrictions such as Handloom Reservation Act, Hank Yarn Obligation on spinning mills and withdrawal of support to handloom sector. It wanted India to modernize its Indian textile industry in anticipation of opening of textile markets in US and Europe.

In 1999, Satyam Committee taking cue from the World Bank and other neo-liberal writings, recommended the same. However, following popular protests, government declared in the Parliament that these recommendations would be put on hold.

However, with the announcement of new textile policy 2000<sup>2</sup>, it was clear that the government has set its mind on the course charted by World Bank and Satyam Committee. Thus, the central government and State governments started reducing their attention to handloom sector by slowly scorching the cooperative sector, which was the mainplank of handloom sector's competitiveness.

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<sup>2</sup> Dr. D. Narasimha Reddy, Briefing Paper on “Review of National Textile Policy 2000: Short on Prognosis and Far Short of Results”, CUTS International, March, 2006

## **2000-2010 period**

Budget allocations for handloom sector remained the same, if not registering a marginal growth<sup>3</sup>. While allocations for non-handloom textile sector was growing phenomenally, handloom budgets declined in real terms<sup>4</sup>. Cooperative sector became weaker. Handloom weavers suffered from low wages and diminishing access to inputs and markets. Government did not bother to implement any of the Acts and rules meant to protect handloom weavers. As a result, powerloom products started entering handloom markets, as 'imitation' products. This has further eroded the handloom markets and thus impacted on the production of handloom production. Over a period, this made handloom sector more and more vulnerable to slightest shift in prices of inputs and products in the markets.

Now this is being used by the government and others that handloom sector is incompetent. The draft National Fibre Policy<sup>5</sup>, as developed, is poised to give another blow to the handloom sector. This policy recommends encouragement of man-made fibres, at the cost of natural fibres. This would increase the costs of natural-fibre based textile products, in comparison with man-made fibre products, essentially killing all the small-scale production.

This policy would at a stroke increase the impact to 10 crore population dependent on natural fibre based textile supply chains. It would change the cost of production and consumption patterns of textiles. It would influence the textile markets and increase scope for growth of man-made fibre textile products. It would reverse the slogan given earlier, "Cotton for the Classes and Polyester for the Masses"

## **Conclusion**

Often, in discussions and deliberations on handloom sector, symptoms are recognized as factors. As a result the whole discussion becomes cyclical, with no conclusion reached. It is important that critical factors are addressed, and not the symptoms or consequences of critical factors. Further, it is important to come up with a suggestion that addresses the critical factor, and not the symptom alone.

Any industry, the world over, requires public policy support. Handloom sector is no exception. While it is true that handloom sector is major source of employment, one cannot ignore the fact that it is also an industry. The strength of the handloom sector is its large and skilled labour. This is also the strength of the Indian textile sector. One needs to enhance this strength and address factors that weaken this strength. Modern economists should keep in mind the fundamental economic principle: maximum good for the maximum people.

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<sup>3</sup> Dr. D. Narasimha Reddy, Killing Handloom Sector through Public Policies; Handloom Sector in Union Budgets

<sup>4</sup> Dr. D. Narasimha Reddy, A critique of the national Handloom budget, "Making things Happen" periodical, published by CUTS in April, 2006.

<sup>5</sup> Dr. D. Narasimha Reddy, Linking a Decade 2010-2000: National Fibre Policy 2010 and National Textile Policy 2000, Textile Review, 2010

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<sup>6</sup>. Government has to ensure a 'level playing field' for this sector towards healthy competition among the different sub-sectors of textile industry<sup>7</sup>.

Presently, handloom weavers are increasingly finding it difficult to continue their traditional occupation, and are not capacitated to find any other job for living. Their love and skill is being tested every day, with growing inflation. About 3 crore people and their families are in crisis.

Image Courtesy: <http://www.thedailystar.net>