

National Budgets: Discriminating Handloom Sector



By:
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Abstract

In National Fibre Policy, natural fibre sector should be given special incentive attention, especially cotton, silk, jute, wool and other nonconventional fibres including banana. There has to be a long-term vision and a structured approach to the fibre sector. Finding an equitable balance between growth of different fibres, and an assessment of how such a growth would impact on the user industry are important steps that need to be followed.

Vulnerability on the rise

Handloom sector has a turnover of Rs.60,000 crore per year. Handloom products have a market demand of Rs. 100,000 crore per year. Handloom exports have reached Rs.4000 crores per year. More than 3 crore people are dependent on this sector. It is eco-friendly production, which has all the technological capacities within the country. No royalty needs to be paid to Western countries in this period of concern over carbon emissions and climate change.

Handloom sector invests more than Rs.25,000 crores on accessing cotton yarn, and Rs.9,500 crores on dyes and chemicals every year. Handloom production is dependent on private money lending to the tune of Rs.35,000 crores, and pays interests between 18 to 24 percent. Handloom sector gets a paltry budget allocation of Rs.328 crores. Given the employment potential and its contribution to GDP, government has to increase the budget allocation to at least Rs.5,000 crores, and ask NABARD to increase the credit availability for hand loom sector from the current Rs.75 crores to Rs.1 0,000 crores.

- Handloom budget is a mere 0.003 percent in national budget in 2013-14, whereas it was 0.03 percent of the national budget 2010-11. It was 0.3 and 0.4 percent in the past two years. Thus, there is continuous decline in real terms.
- Investment on handloom sector per metre is a mere 48 paise in 2008-09, while for the non-hand loom 62 paise.
- Other than budget allocations, government provides tax breaks, subsidies and incentives of MAITI (modern, automated Indian Textile Industry). This exceeds Rs.1,00,000 crore in the last nine years.
- In the last 13 years, budget allocation for handloom has been decreasing gradually and continuously. It does not get even the normal, automatic inflationary increase of 10 percent, year on year.
- While there is continuous reduction in the allocations for hand looms, utilization of the allocation is also not proper. In 2011-12, the revised budget allocation was Rs.744.73 crores, but actual expenditure did not go beyond Rs.656.14 crores.
- 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 hand looms than for non-hand loom sector.

- After 17 years, the average percentage of hand loom allocations in the total Ministry of Textiles budget has come down to 13.79 percent, while in 1997-98 it was 27 percent.
- Per capita allocation of the government on hand loom weavers is very low, compared to any other sector.
- Government has ignored the recommendation of Working Group on Handlooms for 11th Five Year Plan, which recommended about Rs. 4,000 crores.
- It has also ignored the Karmakar Committee's report for Rs.1294 financial revival package for handloom sector.

Handloom weavers are facing severe livelihood crisis because of adverse government policies, globalization and changing socio-economic conditions. Suicides are on the rise. Ineffective implementation of the schemes, increasing unfair competition from the powerloom and mill sectors is responsible for the crisis.

Handloom Sector requires some Rs.20-25,000 crore cotton yarn for its requirement, every year, on an annual basis. In comparison, the allocation for Mill Gate Price Scheme is Rs.25 crores in 2009-10, and Rs.54 crores in 2010-11. It was raised slightly in 2012-13, but brought down to Rs.96 crores in 2013-14.

This Scheme has no influence on the rising hank yarn prices and in reducing the cost of production for handloom weavers. This Scheme has never been able to provide yarn at mill gate prices (even at the scale of allocation), because of structural problems. It pertains to only certain counts of yarn - only upto 60 count. NHDC, the Lucknow-based agency, implements this scheme through various NHDC centres. The Scheme has limited scope in reducing the current problems before handloom weavers, especially in accessing hank yarn, quality and reasonably priced yarn at an appropriate time suitable for handloom production.

Working Group on 11th Five year Plan has recommended a financial bailout package of Rs.1295 crores. It did not see the light of the day, so far.

On other hand, hand loom market shares are seriously affected by 'imitation and fake' products. Protection for hand loom products is possible through enactment of Textile Products Identification and Labelling Act (for non-handloom textile products). This would enable the consumer to choose between hand loom and non-handloom products.

P. Chidambaram has presented the budget for the year 201314, in the Parliament. The following is the table of allocations:

It is obvious that there is a major reduction in budget allocation for handloom sector. Evidently, the sops announced for hand loom sector just before Uttar Pradesh elections last year have served their purpose. The 3R scheme, announced with much fanfare, of Rs.6,800 crores, has no place this year. Maybe, next year, this might be revived in an election year. In 2012-13, Loan waiver package was a mere Rs.2205 crores, even though prior to UP and other State elections, government announced a Rs.6,800 crore package. At that time, I had observed that this package needs to be reconsidered, and also the allocation for such package is a mere 6 percent of the total annual turnover volume of

hand loom sector. Nevertheless, we welcomed such a package. In this budget 2013-14, the allocation has been brought down to a mere Rs.157 crores.

Of course, government followed a step process. Even though, Parliament has voted for Rs.2,205 crores, subsequently, this allocation was revised to much lesser amount of Rs.550 crores, in October, 2012, in the now usual budget pruning exercise. Reducing to Rs.157 crores from Rs.550 crores was not a big deal. However, we still need to watch out for how much was expended in the RS.550 crore allocations.

In 2011-12, an amount of Rs.360 crore was allocated under this same provision, but the expenditure was Rs.200 crores. If one goes by this trend, the expenditure under 3R scheme might not have crossed Rs.300 crores - a way down reduction from Rs.2,205 crores, or Rs.6,800 crores.

Last year, in 2012-13, a very good and welcome step has been the increased allocation for Mill Gate Price Scheme, from Rs.55 crores to Rs.350 crores. Unfortunately, instead of increasing this allocation, it was brought down to Rs.96.5 crores. In fact, after the allocation of RS.350 crores, it was revised down to RS.123 crores. In 2011-12, the expenditure under this scheme was Rs.54.26 crores.

In his budget speech, in 2012-13, the then Finance Minister mentioned inclusion of two mega hand loom clusters, with a budget of Rs. 40 crores. There was no allocation in the actual budget document. This scheme has been running without a proper direction. Yet, within one year, without giving any scope for proper and adequate support, in 2013-14, allocation for this scheme was brought down to Rs.26 crores.

Allocations for Handloom Schemes in Union Budget (in crores)

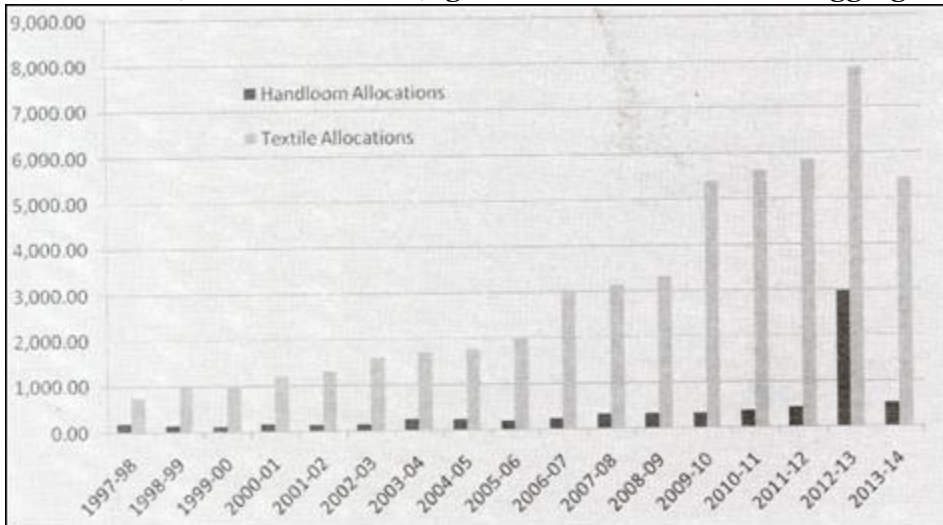
Scheme	2012-13	2013-14
Comprehensive Handloom Development scheme		107
Integrated Handloom Development Scheme (CSS)	170.00	
Revival reforms and restructuring package for handlooms (CSS)	2205.00	157
Market and Export Promotion Scheme (CSS)	48.00	
Diversified Handloom Development Scheme	20.00	
Weaver Service centre	32.50	35
Handloom Weavers Comprehensive Welfare Scheme	105.00	65
Mill Gate Price Scheme	350.00	96.5
Scheme for grant of special rebate at the rate of ten percent on sale of accumulated Handloom stock		0.01
Others	30.00	32.99
Grand Total	2960.50	493.50
CHCDS - Handloom Mega Cluster		26

Unfortunately, the allocation for welfare schemes is being reduced, from Rs.125 crores in 2011-12, to Rs.1 05 crores in 2012-13 and Rs.65 crores in 2013-14. Even though the original allocation for welfare scheme in 2011-12 was Rs.125 crores, it was revised down to Rs.55.60 crores, but the actual expenditure was Rs.68.21 crores - almost 50 percent lesser than the original allocation. There is a gradual and deliberate reduction in allocations for handloom weaver welfare.

Handloom sector got a whopping Rs.2,960 crore allocation in 2012-13. It was equal to (just a little above) previous 8 years of allocations together. However, in comparison to the need, it is too little and has come rather late. Summarily, the allocation for handloom was better, but the ingredients are not adequate to help in the revival of handloom sector. This year, it is back to old methods of reduction and reallocation.

Allocation trends

There is nothing to be elated about handloom allocations. Schemes have been reduced to five, from twelve, a few years back. While handloom weavers have been asking for term-free, low cost loans, government has been dragging its feet in enabling such allocations.



Banks have been refusing to provide loans. NABARD, established with the purpose of promoting rural livelihoods, has been reducing its basket of support for handloom sector.

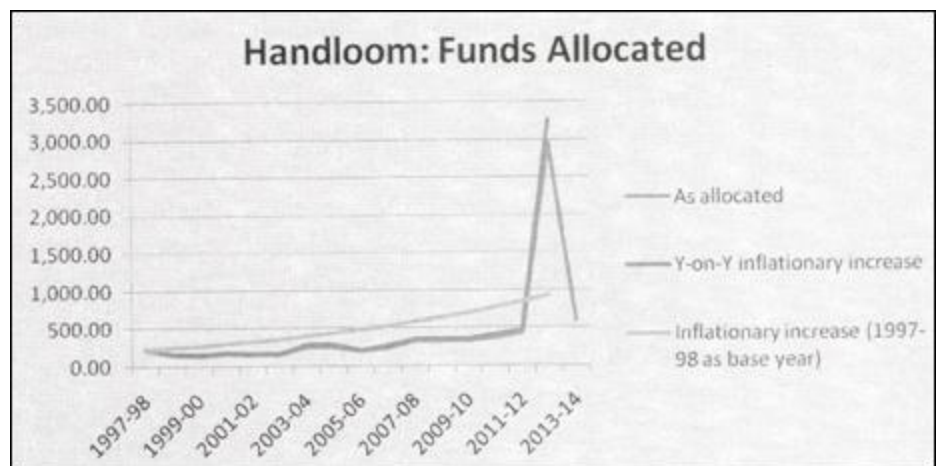
Social welfare support is now completely zero. Previously, government has been

providing support for housing and health insurance. Market support required for small, individual handloom weavers has not been thought of. Only handloom cooperatives, or other organized bodies, get support for participation in exhibitions. But, then most of these exhibitions are full of products that compete with handloom production. In fact, they are doing a disservice to handloom markets.

Departments which are tasked with the responsibility to reach out handloom weavers, across all the States, are tardy, and the officials are lazy and lack understanding of the handloom sector.

Parliamentary Standing Committee has pointed the need to rejuvenate the departments to respond to the needs of the handloom sector. However, no concrete steps have been evolved by the Ministry of Textiles.

In 1997-98, handloom sector was allocated Rs.203.50 crores, which in the next year decreased to Rs.151.60 crores. In 1999-2000, this allocation reached a



reached a

lowest of Rs.138.30 crores. In 2012-13, the allocation has increased to Rs.2960.50 crores, of which Rs.2205 crores is for loan waiver. In 2013-14, it has come down to Rs.493.50 crores.

However, between 1997-98 and 2013-14, over a 17 -year period, it is obvious that handloom sector did not receive allocations based on the dire situation of handloom weavers. Be that as it may, handloom allocations have not increased even as per minimum 10% inflationary increase is quite worrisome.

As the above graph shows, actual allocations (in blue line) have always been below the year-on-year inflationary allocation for handloom sector. That is, if a mere 10% inflationary addition is done to the previous year allocation, actual allocation for most years is below that. On the other hand, taking 1997-98 allocation of Rs.203.50 crores as the base, and one keeps on adding 10% increase every year, handloom allocations should have been much higher year (as the third line suggests).

Continuing with the above, total allocations for handloom sector for the 17 -year period is Rs.7,234.58 crores. If the loan waiver allocation of Rs.2205 crores for 2012-13 is removed, given that it appears to be more an aberration than real allocation, it would be Rs.5,029.58 crores. Similarly, totaling the year-on-year inflationary increase comes to Rs.5,106.79 crores. However, the total inflationary increase (with 1997-98 as base year) is Rs.8,047.35 crores. Thus, with or without loan waiver, allocations have not been commensurate even with the inflationary needs.

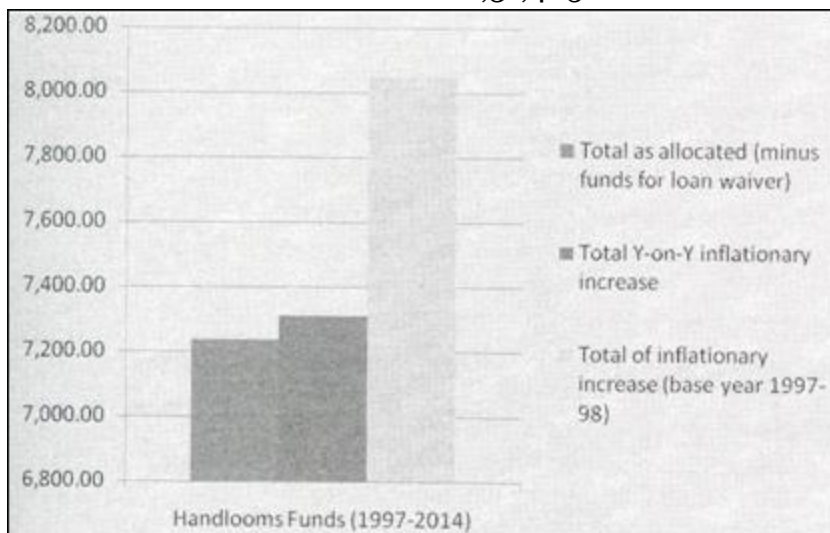
Revenue Foregone

Handloom production provides maximum employment, protects environment and is least resource intensive. Yet, government investments do not reflect the needs of the sector. On the other hand, government provides maximum support to corporate which provide low employment on a volatile basis.

While most media and corporate honchos want subsidies to the poor should go, or decreased, they are silent about the subsidies they keep getting. In 2011-12, these subsidies totaled Rs. 6,31,405 crores. This was almost 50 percent of the Indian budget

for that year (Rs.12,57,729). In fact, the Finance Minister estimated it to be Rs.5,22,810 only. It went above.

This year, Finance Minister estimates this revenue foregone to be Rs.6,63,602. This is as of now 40 percent of the current proposed budget Rs.16,65,297 crores. It can grow as past trends show. Now, one needs understand who is benefitting more. Secondly, unlike the other subsidies targeted for the poor, these subsidies lie with the rich. The benefit is 100 percent. However, in the



subsidy schemes for the poor, though intended for them, the benefit percentage is pretty low, from 0 to 20 percent maximum. Everything else goes for transaction costs.

This is over and above the Non-performing assets, or unpaid loans, with the banks of the same, unpaid taxes, and unpaid water and electricity bills. Also, this does not include the undervaluation of land concessions they get, undeclared incomes and undervalued natural resources consumed by them.

While the government is talking of tough decisions to reduce subsidies, it is also increasing taxes, especially service tax from 10 to 12%. Overall, it is expecting Rs.7,71,000 crores from taxes. This is an increase of 26% from 2010-11. Highest contribution is coming from service tax. Wealth tax is mere Rs.1,200 crores. Who is paying this service tax? On the other hand, revenue foregone (that is exemptions) in 2010-11 has gone up to Rs.5,22,810 crores.

Total subsidies are Rs.1,90,015 crores only (including fertilizer, food, petroleum, interest and others). Compare this, with exemptions to companies as estimated for 2011-12 total Rs.5,39,552 crores (corporate income tax, excise, customs and export promotion). Within this, and because of these exemptions, the effective tax rate for just 239 companies (above Rs.500 crore turnover is 22.1 %), which means the bigger you are the lesser tax is paid. Government says the effective tax rate for corporate has been gradually rising (20.55% for 2006-07; 22.44% for 2007-08; 22.78% for 2008-09; 23.53% for 2009-10 and 24.1 % for 2010-11). This means for years, corporate in India have been getting subsidies, and becoming richer, even while the government 'struggles' to increase its tax recoveries.

Summarily, everyone is paying taxes, except the rich corporate, and white collar employees of these rich corporate. No doubt, this budget is a "red carpet rollout" for private accumulation of wealth, by robbing public, natural resources.

Revenue Foregone (Rs. in crores)

Details	Actual 2009-10	Estimates 2010-11	Estimates 2011-12	Actual 2010-11	Estimates 2012-13	Actual 2011-12
Corporate income tax	72,881	88,263	51,292.00	57,912.00	68,007.60	61,765.30
Personal income tax	45,142	50,658	35,698.00	30,653.00	36,857.50	32,230
Excise duty	169,121	198,291	212,167.00	192,227.00	2,06,188	1,95,590
Customs duty	195,288	174,418	223,653.00	172,740.00	2,98,094	2,85,638
Export promotion			52,440.21	57,390.63	54,455	56182
Total	482,432	511,630	522,810.00	453,532.00	663,602.10	631,405.30

Conclusion

Handloom sector deserves higher allocations. It has been facing budgetary discrimination for over two decades now. There should at least a minimum allocation of Rs.1,000 crores for hand loom sector, commensurate with its contribution to employment, production and environment.

However, budget allocations alone do not help. Suitable policies are required. In National Fibre Policy, natural fibre sector should be given special incentive attention, especially cotton, silk, jute, wool and other nonconventional fibres including banana.

There has to be a long-term vision and a structured approach to the fibre sector. Finding an equitable balance between growth of different fibres, and an assessment of how such a growth would impact on the user industry are important steps that need to be followed.

National Fibre Policy should include strategies on reduction in cost of production, promotion of natural fibre growth, enactment of Textile Fiber Products Identification Act, establishment of a Natural Fibre Fund and establishment of fibre/yarn price stability mechanisms.

Innovative schemes are possible. However, there is no mechanism within the Ministry of Textiles and Planning Commission to enable the flow of ideas and work, which can relate to the objectives of promoting hand loom livelihoods.

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