

Problems and Prospects of Handloom Sector in Employment Generation in the Globally Competitive Environment



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Disclaimer

This document has been prepared by Bankers Institute of Rural Development, Lucknow (BIRD) based on the field study by a team comprising of Dr. Sudhanshu K K Mishra, S/Shri Rakesh Kumar Srivastava, and K I Shariff, Faculty Members.

The study report has been prepared based on the field study and also the feedback received from various stake holders in the handloom sector. While BIRD has undertaken all efforts to ensure the accuracy of information, errors and omissions cannot be ruled out.

The views expressed in the report are that of the study team. It does not necessarily represent/reflect the policy/view of BIRD or National Bank for Agriculture and Rural Development (NABARD).

Foreword

The handloom sector is special as it nurtures and preserves ancient weaving skills which are unique to each state and region and also provides employment to large number of rural households. It is also true that handloom weaving as an activity is in deep crisis with low productivity, low wages, low literacy levels, firmly entrenched middlemen and very little formal bank finance flowing to the sector. Large number of people including policy makers believe that the handloom industry is declining. However, the resilience which handloom weavers continue to show in terms of survival and ability to innovate indicates that the handloom sector can still be revived.

As per the Handloom Census of 1995, the total number of weavers was 65 lakh which declined to 43.32 lakh in 2010. The decline can be attributed partly to the external factors like impact of the economic recession, tough competition from power loom sector, changing choices of customers etc., and partly due to factors internal to the handloom sector like inability of the weavers to come up with new products, designs, market oriented production, etc.

Although the number of weavers has declined between 1995 and 2010, the number of full-time workers remained more or less the same at 28.6 lakh in 1995 and 28.16 lakh in 2010. There is also an increase in the days of work per weaver household from 197 person days per year in 1995 to 234 person days per year in 2010. In effect, it means that with all the problems which this sector faces, it is not dying. In fact the sector shows the signs of revival and vibrancy.

Recognising the importance of the handloom sector, the Governing Council of BIRD advised BIRD to undertake a study on "**Problems and Prospects of Handloom Sector in Employment Generation in the Globally Competitive Environment**". Accordingly, the study was taken up in three states, viz., Andhra Pradesh, Uttar Pradesh and West Bengal with a broad objective to understand the sector for its uniqueness, its operating ecosystems, the issues, the concerns and interests of various stakeholders of the handloom sector.

The report also highlights innovations and suggestions for sustainability of the sector.

It is with great pleasure we release the study report. I hope the readers will find this report both informative and interesting and that it will give a greater understanding of the handloom sector.

(Dr D V Deshpande)

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Executive Summary

Governing Council, BIRD, recognising the unique features of the handloom sector and the need to probe into issues concerning the sector's growth, advised BIRD to undertake a study on 'Problems and Prospects of Handloom Sector in Employment Generation in the Globally Competitive Environment'. Accordingly the study was undertaken by BIRD taking up representative sample in three states namely Uttar Pradesh, Andhra Pradesh and West Bengal. The summary of the study is presented below:

1. The handloom weaving is a sector caught between subjective perceptions and objective realities. While it continues to nurture and preserve ancient weaving skills which are unique to each state and region and also provides employment to large number of rural households. It is also true that handloom weaving as an activity is in deep crisis with low productivity, low wages, low literacy levels, firmly entrenched middlemen and very little formal bank finance flowing to the sector.
2. As against the total number of weavers at 65 lakh in 1995 (as per 2nd Handloom Census of India 1995) the number of weavers in 2010 (3rd Handloom Census of India 2010) declined to 43.32 lakh indicating a significant fall in weavers employed in the sector. Although the number of weavers has declined between 1995 and 2010, the number of full-time workers remained more or less the same at 28.6 lakh in 1995 and 28.16 lakh in 2010. Moreover, there is also an increase in the days of work per weaver household from 197 person days per year in 1995 to 234 person days per year in 2010. In effect, it means that with all the problems which this sector faces, it is not dying. In fact the sector shows the signs of revival and vibrancy.
3. The handloom sector in India was encouraged to adopt a co-operative model and the Government policy facilitated the formation and running of Primary Weavers Cooperative Societies (PWCS) at the village / taluka level and Apex Weavers Cooperative Societies (AWCS) at the State level to arrange for procurement and supply of the yarn to Primary Societies for producing cloth and, thereafter, also undertake marketing activities for the cloth and handloom products produced at the level of primary weavers societies. Similarly Handloom Development Corporations were established at the state level for catering to weavers working outside the Cooperative fold.
Unfortunately, in the last 5 to 10 years, several Apex Societies /Handloom Corporations have become dormant due to losses, lack of professional management, overstaffing, and poor marketing & distribution channels. This has adversely affected the health of the Primary Cooperative Societies involved in handloom sector. The weakness further accentuated because of the weakness in Short Term Cooperative Credit Structure.
4. Estimates show that of the 21,765 registered Primary Weavers' Cooperative Societies (which cover only around 15% of the weavers in the country), only 50% are functional and

that too, partially. About 85% of weavers in the country are outside the cooperative fold, as they work either under Master Weavers/ traders or independently.

5. Raw Material availability:

Observations:

- i. Under the “Mill Gate Price Scheme”¹ of Government of India (GOI), yarn and dyes are supplied by National Handloom Development Corporation (NHDC) to weavers through its 660 depots spread throughout the country. Mobile vans are also used to supply yarn to weavers in remote areas. In actual practice, cotton yarn is sold in the minimum quantity of two to three bales. Individual weavers are unable to access the smaller quantities that they need, thereby reinforcing their dependence on trader and the master weavers. Apart from NHDC, Apex Handloom Weaver Society and Handloom Development Corporations in the respective States are mandated to supply yarn to handloom weaver societies and individual weavers respectively in each State.
- ii. The “Hank Yarn Obligation”² is a mechanism devised by GOI to ensure adequate availability of hank yarn to handloom weavers at reasonable prices. The existing Hank Yarn Packing Notification dated 17.04.2003 promulgated under Essential Commodities Act, 1955 prescribes that every producer of yarn who packs yarn for civil consumption, shall pack at least 40% of yarn packed for civil consumption in hank form on quarterly basis and not less than 80% of the hank yarn packed shall be of counts 80s and below.
- iii. The Primary Weaver Cooperative Societies (PWCS) assess the type of hank yarn (counts) to be procured and quantum of yarn required and place indent to the NHDC or Apex Society at the State level. The payment by PWCS to NHDC/Apex Weaver Society/Handloom Development Corporation is made in advance. On receipt of the payment, the NHDC/ State level agency places order with the mills and the mills directly deliver the yarn to the societies. It was observed that the entire cycle i.e. from making advance payment by PWCS to receipt of material from the mills takes about one to two months and in some cases even more. Discussion with the PWCS revealed that there are delays in getting yarn and the requisite quality (required counts). There were also delays up to more than a year in getting 10 percent price subsidy on hank yarn.

Suggestions to improve availability of hank yarn

- i. Yarn supply arrangements through NHDC should be strengthened by opening more depots (at least one depot in the block or major block level clusters). In case if it not

¹Government of India introduced a scheme for Supply of yarn at the price in which it is available at the Mill Gate in 1992. Under the scheme the transportation expenses involved in supply of yarn are reimbursed by the Government of India. The nodal agency for the implementation of this scheme is NHDC.

² The Textiles (Development & Regulation) Order, 2001, an order issued under section 3 of the Essential Commodities Act 1955, empowers the Textile Commissioner appointed by the Central Government, inter-alia, for the protection of the handloom industry (a rural based industry) by way of ensuring that the yarn in hank form is available in adequate quantity at reasonable prices to the handloom industry

- able to open such large number of depots, NHDC may enroll financially strong PWCSs as its agents or give franchise to such PWCS.
- ii. Government may encourage the private mills to open depots in the major clusters or the mills may appoint financially sound PWCSs as their agents.
 - iii. A Handloom cluster, which has approximately 40-80 handloom weavers' societies and about 3000-4000 weavers working in the area, the monthly requirement for the yarn in terms of amount would be in the range of Rs 5.00 to 7.00 crore per month. In such clusters PWCSs may be encouraged to federate themselves to form Producer Companies/Organizations. These federated bodies can be financed by banks on the basis of the value of immovable assets and also on the value of the stock mortgaged.
 - iv. The NHDC may provide facility to the PWCSs/ PWCS appointed as agents or franchisees to purchase yarn by making 'Online' payment. NHDC may design a portal and place list of approved suppliers/ mills of hank yarn so that PWCSs can operate through the portal and purchase the yarn. This will also facilitate in providing credit by banks and banks can sanction and release amount against the bills raised through portal against online payment.
 - v. Government of India may encourage the cotton farmers, spinners and the weavers to form Producer Companies with spinning mills of low technology i.e. micro spin technology. This will combat the distress of both the cotton farmers and also the weavers
 - vi. There is a need to standardize norms with quality mark for hank yarn so that the quality of yarn is assured. To encourage export, the American and European quality standards may be disseminated through Common Facilities Centers(CFCs) so that the weavers weave quality products, which fetch good price and encourage the youth to be associated with the Handloom sector and it also would enhance the potential for employment.

6. Work Environment in Handloom Sector:

Observations

- i. Since the sector basically consists of family driven enterprises, the women members of the family are associated with various activities connected to weaving. It is the only manufacturing sector wherein one finds large number of women producing products which are worn by large number of women. A unique feature of handloom sector is women producing for women.
- ii. It was observed that handloom weaving requires long and patient hours of work in various harmful posture/positions on traditional looms and instruments of handloom weaving which caused strain and affected health.
- iii. The 3rd Handloom Census of weavers and allied workers 2010 found out that a majority (60%) of adult handloom workforce has attained little or no schooling. The handloom weavers in Uttar Pradesh (60%), Andhra Pradesh (42%), Karnataka

(39%) and West Bengal (37%) have a very high proportion of adult handloom workers reported of never having attended the school.

- iv. **Condition of Looms:** Most of the looms visited were old and in many cases the structure is weak. Although the weavers desire to improve or install new looms, they neither had required capital nor was credit available from banks. During the discussions many of the weavers reported that banks were not willing to extend investment loans to handloom sector.
- v. Work of weaving is very tedious and weavers are prone to weakness and ailments. The major health ailments which people reported were muscular-skeletal in nature and the weavers were suffering mainly from knee pain, joint pain, back ache and weakening eyesight.
- vi. **Wages:** Private traders control the wages paid to weavers because of their hold on input supply as well as marketing. During the study it was observed that, the wages were found to be low at Rs 15 to Rs 20 per sq m for cotton cloth weaving. Although the weavers were able to get work round the year, the wages are one third of the minimum wages for the skilled labour, as in a day a weaver can weave only 5-6 m of cloth, the daily wage works out to only Rs 75 to Rs 120, which is a cause of big concern. The weavers are trapped in vicious circle of poverty.
- vii. **Process of Dyeing:** The entire process is done by the dyers either at their homes or in separate dyeing premises by hand and using crude measuring balance, stoves, utensils and makeshift kind of gadgets. The dyers therefore do not control the process parameters like temperature, time, pH, quantity and purity of dyes & chemicals properly. As a result of poor process control, quality of dyes and chemicals used, the quality of the finished product is affected. Hence products go to the lower end of the market with very less amount of unit price realization. Thus it was felt that quality improvements in the processes ancillary to the handloom weaving are also critically important.
- viii. **Designs and Patterns:** As regard to designs it was observed that the weavers are comfortable with the traditional designs and slow in changing the patterns as they are not very conversant with the new designs and also because of low risk bearing capacity. In cotton handloom products there is little innovation in the designs and patterns, but there is change in silk products. The designs are developed on computers and the weavers very comfortably adopt. The lack of change is partly due to the weaver, partly due to unwillingness of the investor to take risks and provide incentive to weavers for effecting the change. Although Government is spending considerable amount in bringing this change through various interventions like CFC, clusters, mega clusters etc., but at present, the change is slow and its impact is not significant at the ground level.
- ix. **Insurance & Social security:** Government of India in 2009-10 launched a Health Insurance Scheme for handloom weavers in collaboration with the ICICI Lombard. The same has been discontinued since the last 3 years. There is a need for effective

insurance scheme for the weaver households as the health related problems are common to the weavers as the work involved is too strenuous.

- x. **Compulsory Provident Fund**—State Government and Central Govt. contribution not coming forth, only societies are contributing. CPF scheme is a big assurance to weavers and it should be revived. GOAP started a new Scheme called Thrift Fund cum Savings & Security Scheme where the WCS contributes 8% of the total wages earned by the weavers into a thrift account and GOAP contributes an equal amount. Similarly KVIC also follows a policy of compulsory PF deduction from the wages with matching contribution coming from the agency. Such schemes should be brought at the national level.

Suggestions to improve work environment:

- i. The Department of Handlooms and Textiles need to look into issues related to wages and should facilitate in getting the minimum wage rate as specified by the Government. The nodal department too may be involved to enforce minimum wage rates.
- ii. At the Apex Society level there is a need to establish a design centre which will coordinate the entire work of developing latest designs, patterns, bringing newer dyeing technologies, colour combinations etc. The centre should also provide training to all the weavers associated with handlooms and in each cluster at least one 'Weaver Resource Person' may be identified who will provide hands on training to the weavers. Civil Society organizations may be entrusted with the work of organizing the weavers for skill development and adopting modern techniques in designs, patterns, dying, e- trading etc. Many State Governments and Apex Societies are already working in this area. This needs to be further strengthened.
- iii. Solar home lighting systems may be included as a part of scale of finance and can be made a part of Weavers Credit Card.
- iv. Credit for renovation of work shed and loom may be made a part of scale of finance /the Weavers' Credit Card so that the weavers can maintain the looms.
- v. The District Urban Development Agency/ District Rural Development Agency/Panchayat Raj Institutions (PRIs), may be made responsible to create basic amenities on health and hygiene, drinking water, lights, drains, etc., in handloom concentrated areas.
- vi. Department of Handlooms and Textiles should make all efforts to link the weavers with the flagship programmes of the GOI, like Pradhan Mantri Jan Dhan Yojana (PMJDY), Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jivan Jyothi Yojana (PMJJY), Old Age Pension Scheme, Widow Pension Scheme, Atal Pension Yojana, Pradhan Mantri Awas Yojana, etc., so that the weavers are provided with social security and livelihood enhancement.
- vii. Andhra Pradesh launched Arogya Shree Yojana for poor people wherein cash less medical facility is provided to poor people and State Government pays for the

same. State Governments should come forward with such effective schemes for assisting weavers.

7. Marketing Systems in Handloom Sector:

Observations:

- i. **Decline in Institutional effectiveness:** Since inception the cooperative system was devised in the manner that the Primary Weavers Cooperative Societies would be production units and Apex level Cooperative societies would provide them with the raw material, designs and marketing support. Different state governments also established State Handloom Development Corporations to provide marketing support to the individual weavers. Despite this, it is estimated that 80% of the marketing support is provided by the private traders/ master weavers indicating decline of these institutions over the years.
- ii. **Lack of availability of market information:** There is lack of availability of information regarding the marketing of handloom products. The traders continue to be main source of information on product specifications in terms of colour, design, patterns, trends and other market related information.
- iii. **Lack of awareness among customers about the product features:** During interaction with the cooperative societies and individual weavers in the field, the weavers have expressed a very strong need for a national awareness and publicity campaign for familiarising people about uniqueness of handloom products.
- iv. **Insufficient Promotion and Advertisement of Handloom:** Generally, the promotion is only through exhibitions and fairs with limited outlets for a limited periods, mainly only during festival seasons. Hence the customer purchases such handloom products, only when available and switch to the other competing products when handloom products are out of sight (out of sight, out of mind). Therefore handloom sector needs a focussed strategy of continuous promotion and regular advertising campaign.
- v. **Lack of Quality Standardization:** The handloom cloth is often not able to compete because of lack of quality consistency in terms of finishing, colour and dye. A procedure is needed for checking the quality standards of the products like durability, shrinking, fastness of dye and colours etc., so that the customer is assured about this. Ministry of textiles GOI, is promoting use of **Handloom Mark, Silk Mark and Wool Mark** which is indicative of superior quality of products and fetches them better price in the market. However, adoption of handloom mark is not widespread amongst the weavers.

Suggestions to improve marketing systems:

- i. There is a need to create awareness about handloom products in general public. A national awareness and publicity campaign may be initiated by the GOI and State Governments for familiarising people about uniqueness of handloom products.

- ii. Restructure Management and Governance in Apex Weaver Societies and Handloom Development Corporations: These organizations need to be restructured for improving the management quality so as to effectively help handloom weavers.
- iii. Although the Handloom Reservation Act lists 22 traditional textile items as reserved to be produced on handlooms alone, its implementation is an issue. It was widely quoted by the PWCS that many items woven on power looms are sold in the market as handloom products. Therefore there is a need to improve the systems and mechanisms to enforce the provisions of the Act.
- iv. Schools, hospitals, Railways, Defence Establishments, hotels etc., should be encouraged to procure bed sheets, curtains, covers towels etc., from handloom sector. Government may think about providing incentive to such institutions for using handloom items. This would generate large local demand and in turn will generate rural employment. The Dept. of Handlooms may have to play positive role in facilitating the process of integrating the handloom clusters in the procurement process/procedures of the government departments.
- v. Reviving janata Cloth Scheme/janata Dhoti scheme³
- vi. **Strengthen local Haats:** Encourage and facilitate weavers to sell within a radius of 200 Kms. This would probably have the effect of reducing the middlemen. Establishment of exclusive haats in rural areas may be supported by Government and also NABARD. To facilitate the same, each handloom concentration area must create a community level organisation which would interact with buyers, government departments and also show case its product.
- vii. **Creating a distinct identity for handloom products:** The Weaver societies and individual weavers must be encouraged to adopt “Handloom Mark”. Government can start with a policy objective of coverage of all handloom weavers and weaver institutions by “Handloom Mark” in next 2 years.

8. **Bank Credit to Weavers and Weaver Organizations:** We are aware that in states like Andhra Pradesh, Telangana, Tamilnadu, Odisha and Karnataka, banks are giving fresh credit limit to weaver. As a result the working of weaver societies in these states is robust. The weaver societies are able to provide work to its weaver members for major part of the year. However the situation is totally different in the North Indian States and also in North East. The discussions with stakeholders in the field revealed that the banks are reluctant to finance to weavers and the reasons include lack of awareness about the potential, lack of information on the schemes implemented by the Handloom Department and also Margin Money scheme implemented by NABARD on behalf of Gol. It was also reported that there is delay in getting margin money contribution from NABARD/Gol. Besides these issues, the buildup of over-dues on outstanding loans given to sector has

³ Introduced in 1976. Started as a welfare scheme for making available cloth to weaker sections of the society at cheaper rate. Part of the costs were subsidised by the Government. The scheme had an effect of creating Volume markets for handloom products.

also deterred bankers from financing to the sector. Some of the weavers indicated that applications sponsored by department are sanctioned by the banks for the sake of sanction but the banks either do not release funds or there were considerable delays in disbursing the loans.

NABARD provides refinance to all banks for extending loans to Apex and Primary Weavers Societies, Handloom Development Corporations, Weavers outside the cooperative fold-SHGs, Weaver Activity Groups, Producer Organisation of Weavers. NABARD is getting response at present only from Tamilnadu, Puducherry and Andhra Pradesh. Banks in Other States should be encouraged to take benefit of concessional NABARD refinance. NABARD should also do regional workshop of Bankers and State Governments for Popularisation of its refinance products.

NABARD earlier was running a District Rural Industrialisation Programme (DRIP) for supporting rural non-farm sector with the coordinated effort of all concerned agencies. The programme yielded very good results. A similar programme with specific focus on handloom weavers is required in select handloom concentration districts.

Suggestions to improve institutional credit to Weavers:

- i. **Cluster adoption - one cluster one lead bank** - The PWCSs and the Clusters may be made the focal points for future growth strategy of the sector. Government may come up with a policy of identifying major clusters and identify a bank to finance all the weavers of the clusters. Continuous monitoring of such intervention should be carried out at the block level, district level, state level, and national level.
- ii. It is suggested that the Dept. of Handlooms in consultation with DDM, NABARD and LDM of the district conduct specific programmes at the district level for the Branch Managers of banks to firm up an implementable action plan. The workshops may deliberate on the scope for financing to weavers, issues relating to subsidy, marketing etc.
- iii. Efforts should be made to also extend long term investment loans in the sector in form of sales depot, dye houses, godowns for storage of raw material, semi-finished and finished stocks and mobile sales van.
- iv. Financing to handloom sector may be included as an agenda item in the District Level Consultative Committee meetings, District Level Monitoring and Review Committee meeting and in the Block Level Bankers Committee meetings. The District Collectors/ District Commissioners may review the financing to handloom sector in a separate meeting on quarterly basis and review the credit limits proposed and disbursements by DCCB of the concerned district to the PWCS. In such meeting PWCS representatives also may be invited.
- v. **Enhancing credit** – Propagation of different models and developing support system such as inclusion of micro finance institutions (mFI) in handloom sector for providing credit. Government may identify major Commercial Banks and Regional Rural banks working in the Weavers Clusters and give annual financing targets to them for financing weavers.

- vi. At the Gol level, there should be a mission for bank credit to all eligible weavers. Since most of the working capital requirement of weavers is around Rs. 50000/-and also the fact that most of the weavers come from SC/ST and backward Communities, there is a need for a special credit product for weavers under MUDRA scheme.
- vii. **Computerization in PWCS:** Technology may be used in maintaining accounts and audit of the PWCS. Capacity building of the weavers and weavers' societies on operation of computers, computer aided accounting system, maintenance of books and updating of accounts.(Preferably on basic computerized soft wares like Tally). This would help them in meeting requirements of the banks for financing.

9. Effectiveness of the Organizations:

- i. **NHDC:** There is a need to revamp the working of NHDC which is presently limited in nature as it is the only agency to support supply of yarn at the subsidised prices. There is a need to put an end to the process of advance payment and procuring material by the PWCS and instead, the market may be opened up for the weavers for purchase of yarn. The restricted nature of supply of yarn is hampering the progress of the PWCS and also individual weavers. NHDC may open more depots in the high concentration areas of hand looms. If the opening of large number of depots is a constraint, it may offer franchisee to good working PWCS or appoint the good working PWCS to sell yarn on behalf of NHDC. The institutional mechanism in input supply needs to be completely revamped with decentralised procurement system, where the PWCS should have options. Online procurement of yarn may be introduced.
- ii. **Primary Weavers Cooperative Societies:** Based on the visit, the study team is of the view that the ineffectiveness of PWCS is mainly because of the environment in which these institutions are working. At present the PWCS are working in a largely unorganized and in inefficient production systems consisting of old looms, old designs, inconsistent quality, lack of diversification etc.
Therefore it is desirable that a survey may be conducted in detail across the country by an independent organization/department other than Department of Handlooms to identify dead and defunct PWCS and remove them from data base.

Focus post RRR package has to be on the following:

- A. Work on strengthening viable and potentially viable PWCS, (block wise, district-wise and state wise), already identified and assisted under RRR handloom package.
- B. There is a need to work towards sustainability of PWCS as an organization and the following steps are suggested:
 - a. Strengthening of the organization: development of capacities of Board of Directors, CEOs, member and refining/ redefining the management practices.
 - b. Capacity development and training in maintaining accounts, audit and submission of returns are crucial link to their survival as commercial entities.

- c. Handholding support at the level of production in introducing new colours, design & patterns etc., need to be extended.
 - d. Wherever possible, particularly in the high handloom concentration areas, PWCS may federated.
 - e. It is suggested that, the federations of PWCS in high handloom concentration areas may work as 'HUB' for all "front end" activities and "back end" solutions of PWCS i.e. for ensuring availability of yarn and also act as marketing hubs.
 - f. In the cotton growing areas, low cost decentralized yarn spinning mills with the involvement of producers, weavers and spinners may be established as hubs and these institutions may be treated at par with Producer Companies. The benefits available from GOI (SFAC and NABARD) for Producer Companies may be extended to these institutions also.
- III. **Financing Institutions:** The District Central Cooperative Banks (DCCBs) traditionally were extending credit to PWCS for working capital requirements. It was observed that the weavers are not getting required credit support from the Co-operative Credit Structure. In many instances like in Gorakhpur and Varanasi PWCS are strong but the DCCB in the district has very weak financial health. In North East, though weaver concentrations are very strong, institutions of weavers are very weak and in both the cases the sufferer is the weaver. It is seen that in northern state, the main focus of the DCCBs is on agriculture and there were very little efforts from DCCBs to support, review and provide credit to the PWCS.
- IV. Weaving requirements should be reflected in credit Planning at district level-The District Consultative Committee and Block Level Bankers Committee (BLBC meetings should have a specific agenda to review credit disbursement to handloom sector. In districts where weaving is a predominant activity, a separate chapter needs to be included on Handloom and Handicraft Sector in the Potential Linked Credit Plans prepared by NABARD.
- V. **Department of Handlooms:** The department of Handlooms is prime mover in the handloom sector and looks after regulatory functions and is also involved in developmental functions. The regulatory function needs the organization to be more authoritative so that the PWCS fulfil the regulatory requirements whereas developmental functions are persuasive in nature and require a different type of working relation with the PWCS, which is more consultative, inclusive and participatory.

Therefore the regulatory functions may be kept with the department with a focus on upkeep of books, completion of timely audit, inspection of the PWCS, enforcement of transparency etc., and developmental function of PWCS like training, capacity building, administering subsidy, credit planning, credit support and marketing may be given to an organization like Apex Handloom Cooperative Society or NHDC, Producer Organization of weavers etc., involved in the handloom sector.

10. New Shoots of Innovations in Handloom Sector: New age agencies like Dastkaar Andhra, Dastkaar Andhra Marketing Agency (DAMA), Dastkaar Andhra Retail Agency in Marketing (DARAM) sister constituents of Dastkaar Andhra are working with the weavers' organization. They are involved in providing marketing support to weavers through exhibitions and melas. These institutions organize workshops, conduct studies/ meetings of weavers to understand their problems. The production level interventions include designing, dyeing and organizing training for skill development in association with NIFD and other agencies. Working closely with weavers and PWCS to develop social and human capital and policy advocacy at the State and National Level is also an important area of their work.

Similarly the initiatives of MULKHA (Mulmul and Khadi) in Telangana and Maharashtra, Chanderi in Madhya Pradesh, MASUTA in Orissa and Jharkhand, Biswa Bangla in West Bengal etc., are a few examples which are working in the sector to bring innovations. Similarly, Handloom Mark, Geographical Indication⁴ (GI)Patenting, E-Marketing, Technology interventions in designing, dyeing, colouring etc., adopted by these agencies will help the sector to learn and upscale such efforts.

11. An Agenda for Employment Generation in the Handloom: The interactions with various stakeholders in the field indicated that employment in handloom sector can increase through the Livelihood promotion route. i.e. attending to infrastructure development, skill enhancement and availability of required credit through formal credit delivery system. The suggestions made under different heads ultimately focus on employment generation potential of the sector.

12. Sustainability of the Handloom Sector: To achieve sustainability of the sector, it is essential to introduce new models for supply of raw material; at production level interventions are required in bringing new designs, patterns, colour dyeing techniques; information technology need to be introduced for designs, accounting and marketing; different credit models as suggested in the respective chapters are required to be implemented. Sensitisation of banks in handloom concentration areas on topics such as sanctioning weaver loans, proper assessment of working capital requirement etc. While State Cooperative Banks would have to take a lead in this, Commercial Banks should also be encouraged to provide working capital finance to good working societies. Effective training to the weavers in use of new methods of marketing handloom product should be imparted. This may involve greater use of local haat bazaar, use of mobile sales points, greater interactions between the buyers and sellers, increased use of web marketing etc. All these are new areas and region specific suitable models would need to be evolved.

⁴A **geographical indication (GI)** is a name or sign used on certain products which corresponds to a specific geographical location or origin (e.g. a town, region, or country). The use of a geographical indication may act as a certification that the product possesses certain qualities, is made according to traditional methods, or enjoys a certain reputation, due to its geographical origin.

13. High level Committee of GoI for recommending financial package for handloom sector [April 2009] had **recommended setting up of a Handloom Development and Equity fund (HDEF)**. The study team is of the view that to achieve the objectives indicated above, the fund may be created. The support from the fund would be in the form of promotional and developmental assistance and also as equity support to eligible PWCS, Apex Cooperative Societies and other similar agencies wherever found necessary. This would ensure increased and hassle free credit flow to handloom weavers.

As suggested in the High Level Committee, following activities could be supported by the fund:

- a. Meeting the equity and other forms of capital needs of implementing and supporting agencies.
- b. Credit guarantees Scheme for fresh handloom loans.
- c. Meeting the operational deficit of financial intermediaries like HWGs, NGOs, federations and producer organizations of weavers etc. during initial years.
- d. Funding the expenses for developing a “performance-cum-credit rating’ model for HWGs providing support to promotional agencies/ Banks to form, nurture and facilitate linkage of HWGs with Banks.
- e. Training of Handloom Weavers Groups, NGOs and other community based organizations, master craftsmen, entrepreneurs, etc. engaged in handloom development.
- f. Capacity building of staff of institutions like PWCS, Apex societies, Federations, Cooperative banks, RRBs and commercial banks engaged in HWG promotion and credit linking.
- g. Supporting agencies providing services such as ground level data build up, generation of cluster- wise, state-wise and national- level information system on Handloom weavers, developing an electronic networked backbone including developing and maintaining a web site for handloom weavers) and generating real-time information on financial and non-financial aspects of handloom sector; Documentation of successful efforts and models, conduct of evaluation studies and publications; Consultancy services, Design Development, Market research, etc.; Promotion of seminars, workshops, conferences and discussions; Any other activity with the recommendation of the Advisory Board of the Fund.

Conclusion

The handloom sector is an important sector providing large scale employment in rural areas as well as preserving heritage. The sector is facing several challenges but the future growth in the handloom sector could be achieved through a series of strategic interventions in the key constraint areas highlighted above. Many of these interventions may be market led and ushered in by private market players. Government would have to play the role of enabler and facilitator. Institutions like banks (especially Cooperative Banks), NABARD, Handloom

Development Corporations, Apex Weaver's Cooperatives, PWCS, technology providers, private corporates and traders, and several others, can play an important role in bringing back vibrancy to this sector.