Handloom Sector in India: The Current Status and Shape of Things to Come by 2015

Introduction

Handloom sector, which accounts for approximately 20% of total Indian textile manufacturing production and 35% of manufacturing employment, is currently facing unprecedented challenges.

India is currently the world's largest producer of handloom products with a total production of more than 5,000 Million meters in the year 2005. Among the products produced in India, the most celebrated ones include Jamdani, Ikkat, Kota, Banarasi and Patola. Connoisseurs will assert that without handloom products, India would be like wine without the prestige of Champagne.

Estimatedly, there are about 12.5 million people dependent on handloom weaving. In the entire country, there are more than 38,00,000 handlooms. 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 for domestic market and also exporting their products abroad.

In its 48th Report, Parliamentary Standing Committee on Textiles says that, "this unorganized sector provides livelihood to millions of weavers and crafts persons. With over 65 lakh persons finding direct employment in weaving and allied activities, the handloom sector plays an important role in the country's economy. This sector accounts for 19 per cent of the total cloth produced in the country excluding wool, silk and handspun yarns which was about 7352 million sq. metres in 1999-2000."

Handloom products have been woven and produced in various parts, geographically located across India. The unique and complex combination of weaving prevailing in India and the production methods, lends these products a distinctive and naturally-occurring quality and fashion which has won the patronage and recognition of discerning consumers all over the world for well over a century. Handloom products produced in the India have special characteristics that are for long been known to the trade and the public all over the world.

Handloom production happens predominantly in the private sector. There are also a number of handloom cooperative societies, supported variously by government funds and personnel.

Handloom sector was a nationalist activity and identified completely with Gandhian agenda. Handloom weaving and related activities became symbolic for the Indian Independence struggle. As a continuation of this, in the earlier planning phase at the national level, development of handloom sector was seen as a stimulation for rural development, being based on using local resources, local craftsmanship and catering primarily for local markets. Then, all national policies emphasized on handloom sector as pivot for non-farm sector economic growth.

In addition to its size, the sector plays a very significant role in certain regions of the India - and even more in Southern States. Handloom has shown, in quite a number of products, leadership and a great deal of innovative capacity, which is a result of a centuries-long tradition, of its quality, creativity and fashion capabilities.

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 social and economic growth for the sheer magnitude of people endowed with traditional artisan craft skills attuned to the local needs and resources.

Handloom sector was written off as a sunset sector in 1940s, even before independence, and also in 1960s. Despite those early warnings, this sector continues to cater to the clothing needs of many. There are many factors for such resilience. Principal among them are the production methods, productivity, competitiveness and cost advantage. It cannot be attributed to the financial support of the government alone, as is wont in certain quarters. It is also because of the huge domestic market and a dedicated clientele.

In comparison with other traditional rural sectors, handloom weaving is a full-time family profession, involving all the members of the family.

In the present situation, there are too many issues, which are impinging on the development of this sector. While it may be true early to pronounce a verdict on its demise, advocates of handloom sector are alarmed about the changes and threats to this sector. One needs to understand the sector before assessing the future of this handloom sector in the next ten years or so.

Out migration and reluctance of youth to follow family profession, drying up of rare skills, changing consumer preferences are some of the apparent reasons for such alarm. But, do we see a situation of growth for the handloom sector?

Employment situation

Handloom sector is largest employer next only to agriculture. Its labour intensive character, decentralized nature and optimum utilization of scarce capital resources give handloom sector a unique position in the Indian economy. In the language of economics, handloom provides both self-employment and casual employment. However, there are concerns about the current employment. It is anticipated that the employment in this sector would decline with growing competition and lack of work. This is true in many parts where handloom has dominated the economy. There is visible migration to other areas and professions. What is not so much discernible is the changing demography of handloom employment.

One needs to recognize that handloom weaving is not low quality employment. It requires skills and begets respect. However there are some jobs within the handloom sector which do not require particular skills, but hard labour and practice. These are the jobs which are increasingly being accessed by intermigration labour force from agriculture and other sectors. In major handloom centers, this is the kind of employment which is far more popular. Handloom sector remains the major source of self-employment and casual employment. The Special Group on Targeting Ten

Million Employment Opportunities per Year of the Planning Commission, in 2002, says handloom has the job creation capacity for 0.40 million jobs every year.

Between 1977-78 and 1993-94, India's population increased from 639.1 million to 902.8 million implying a growth rate of 2.2 per cent per annum while its labour force grew from 276.3 million to 385.5 million implying a growth rate of 2.1 per cent per annum. General employment conditions in India actually appear to have been deteriorating even though employment growth apparently kept pace with labour force growth. Evidence for such claims lies in the changes in the quality of employment. The main indicator of quality of employment is the distribution of employment by what is known as 'employment status'. High-quality employment has shown a general tendency to decline in importance and low-quality employment has shown a general tendency to increase in importance.

The capacity of job creation per unit of output went down about three times compared to that in the 80s and early 90s. Further, the organised sector's employment generating capacity came down to near zero and in the public sector has been negative in most cases. Given the declining job creating capacity of growth in modern sectors, continuation of illiteracy and impoverishment in the Indian populace, handloom sector would continue to provide employment. While there could be migration of qualified, skilled handloom weaver, they are likely to be replaced by low skilled labour.

Overall, the employment potential of handloom sector is not likely to decline in the next ten years. Replacement of labour is definite, though it may not be visible in the same areas and at the same level. This is one sector, where government does not need to invest on training and capacity building programmes. This employment would get encouragement with favourable government policies. It is imperative that government has to encourage growth of employment in this sector, intensively.

Structure of the Industry

Handloom sector is organized in three predominant forms of production – independent weavers, cooperative systems and wage weavers. The most prevalent system is the wage weavers. Presently, most of these wage weavers work at home. Their work ranges from pre-loom processing to mere weaving, at different places. In any case, wages are decided as per the weaving and the skill involved in such weaving. Independent weavers are rarely seen. This is primarily because of the access and availability of raw materials and production investment. The same factors would determine the relations of production, in future as well. The investor would decide the relations of the production. As can be seen increasingly, present investor is more inclined towards factory-type production, in worksheds, rather than encourage creative, independent weaving. With declining family incomes, change in the designs and products, migration of relatively new labour, the growth of worksheds in the recent years has been phenomenal across the landscape of India.

Government is also encouraging this change, believing that this would benefit the weaver and the sector, through schemes such as Project Package scheme and Deendayal Hatkargha Protsahan Yojana. Worksheds are being encouraged based on opinions rather than on the basis of any study of its benefits and drawbacks. However, even the cooperatives are being encouraged to set up worksheds. While many may not agree with such a trend, given the low living and working conditions and absence of any legal framework, the private investment is favouring such an arrangement. In the next ten years, one may see less number of handlooms at home, but more in worksheds. As economic growth becomes more uncertain, or more market-savvy, cash flows decided the investment pattern. Best practices in cash management and differing rates of interests on the working capital investment would definitely influence this trend, in the same direction.

The average master weaver, typified by knowledge or skills, abundance of patience and old world charm, would gradually be replaced by commission agents who would not be averse to make fast bucks and cut corners. Most master weavers, today, have anyway reached their age and are ready to handover the reins to the next generation. Some have even started diverting their investments from handloom to other lucrative businesses such as real estate deals. Real estate is far more attractive because most master weavers have sizeable liquid assets which are free of income tax and other legal provisions. Like in agriculture, where we see a new generation of farmers, one might see a new generation of handloom entrepreneurs who have less weight in terms of skills and understanding, but more tuned to the modern economy. In the next ten years, there would be more work for trade unionists who fight for more wages and better amenities, and government officials who would like to regulate the production.

Presently, the pre-loom processing is the world of women weavers, old and young. After the old women, who are in demand in the pre-loom process activities of handloom, youngsters are reluctant to continue the same because these activities do not get wages, or in some areas, they are given very less wages. Thus, most of these activities are likely to be mechanized. It may not reach the level of automation, but definitely mechanization with human supervision and intervention is preferred. The degree of mechanization process of pre-loom processes however might vary in various places, given the kind of production. This process or change would also be slow and gradual, so as to integrate into the production practices. Growth of worksheds is likely to hasten this process of mechanization. The danger of automation may not be a reality because the labour costs are cheaper than automation costs. Availability of unkilled labour in rural and semi-urban areas would offset investments on automation.

The predominance of the caste-based population in handloom sector in certain States such as Andhra Pradesh, Tamilnadu and Karnataka is likely to be diluted with more migration from other castes into low-skilled jobs in handloom sector.

Historically, this industry is located in clusters, which is now considered appropriate in 2005 regime. While one may not see any change in the clusters of handloom production, remaining as they are, some clusters might lost their position of strength for various reasons, including the factors of location, change in product profile, investment pattern and amenability to change.

Production Issues

There are many issues of handloom production, which have been lingering for the past several years, some even for the past hundred years. There has been no coordinated application to address these issues. They are likely to continue over the next ten years, with implications on production and thus the sustenance of handloom sector.

1. Raw Material supply

Access to raw material such as yarn, dyes and dye stuffs has been a problem. With increasing cotton and cotton yarn exports, yarn prices are steadily increasing. The availability of hank yarn - the basic material from which handloom weaving is done - is a serious issue because it is controlled by modern spinning mills, who see more profit in large-volume cone yarn. Secondly, since hank yarn is tax-free and has subsidies, enormous amounts are diverted to the powerloom and mill sectors. As a result, there is a perennial shortage of yarn for the weavers. Despite a few schemes, the hank yarn access issue has not been resolved. Colours are expensive, and presently there is no system or mechanism to increase their availability.

The shortage of hank yarn is likely to affect the handloom production in terms of volumes, unless the government steps in with specific measures such as establishing small spinning mills and cone-to-hank yarn conversion machines. National Handloom Development Corporation would continue to play its passive role. However, a hope is that with the growing number of spinning mills being established through the TUF scheme, there would be more supply. Handloom sector has a huge demand for hank yarn. But, with rising yarn prices, handloom production costs are likely to increase. The situation is entirely different with other fibres such as silk, jute and wool. Silk production is affected and the promotion programmes of the government have not been able to increase the production. The threat of deluge of imports from China, in silk yarn and silk products, is likely to have negative impact. Ironically, more supply of silk yarn from China would not benefit handloom sector because of difference in quality. Maybe it is time to reserve silk yarn for handloom sector alone.

Handloom primarily uses natural fibres such as cotton, silk and jute. Prices of these fibres have been increasing during production and processing. Cotton production in India is expensive because of intensive and high usage of costly agricultural inputs such as pesticides and fertilisers. Secondly, while the fibre production most often happens in the vicinity of the weavers, their processing is done in distant areas, and as such the prices to the weaver are higher. With the central government now encouraging primary fibre and yarn exports, handloom weavers would be on the last priority for yarn suppliers.

The solution lies in establishing relatively low-cost, decentralised spinning units in the villages where handloom and fibre productions co-exist. The units would enable direct linkage between farmers and weavers, which essentially decreases the cost of yarn and thus the cost of handloom products. Still, the cost of setting up the units may be too much for an individual, and hence governmental support will be required.

2. Infrastructure and Investment

Handloom production is largely facilitated by private investment from master weavers, entreprenuers and money lenders. The costs of such private investment have been very high, though the transaction costs are low. In recent years, the investment profile in handloom sector has also been changing. Traditional investors -- known as master weavers -- who had been investing for several decades in handloom production have been moving away, or have become reluctant to invest in new designs. There is also trend of diverting the capital accumulations to other businesses by the master weavers. Thus, there is a change in characteristics of the production capital investment in handloom sector. Almost all the cooperatives are mired in huge loans and are not in a position to mobilize their own funds. Thus the scenario here is bleak unless the government steps in to help and support handloom cooperatives. Liberalisation agenda does not enable such support. Yet, investment is likely to continue by new players from new sources. In such a scenario, the impact would be negative on wages and relations of production.

Investment in handloom sector has thus far been limited to input supply costs. There is no investment on sectoral growth. Common facilities have not been developed such as godowns, credit facilities (banks in the vicinity), roads, proper sanitation, etc. have not been provided anywhere. Recently, government has come up with handloom cluster development programme. But the content of such programmes falls short of actual requirements for various reasons, especially due to the inefficiency of the government mechanisms. There is also the continuous, inexorable decline in the allocations for sectoral growth. Given this, the emphasis would be more on private responses, which would lead to strengthening of the existing clusters. Thus, there could be further erosion of diversity of handloom production.

Places like Pochampally (for e.g.) suffer from water pollution, where the Musi river drains the wastewaters of Hyderabad city. In many places across Andhra Pradesh, the only water available is groundwater, which is laden with salts and other contaminants. This affects the quality of production, economics and also the structure of production. Weavers simply have to put in more time to procure water for drinking and other needs, as well as compromise on dyeing quality.

Government has created a few research, training and input institutions to help the handloom sector. These institutions include weaver service centres, institutions of handloom technology, NIFT, etc. But their performance has been below par and their presence has not helped in obviating the problems of handloom weavers. This performance is likely to continue with such institutions.

There is a need for new programmes that enable the inflow of fresh investments and emergence of new entrepreneurs into the handloom sector.

3. Responding to market needs

While there are suggestions that handloom sector should increase its design in response to changes in the market, the bottlenecks are many. The lack of change is not due to the weaver not being amenable to change, as is bandied. Rather, it is due to unwillingness of the investor to take risks and provide incentive to weavers for effecting the change. This apart, government has been providing substantial grants to the National Institute of Fashion Technology (NIFT) to provide design support to handloom cooperatives, but nothing much has come of it. NIFT was granted Rs.42.71 crores in 2004-'05 and Rs.22.78 crores for 2005-'06.

However, in various clusters, one can see the growth of computer-aided design capacity enabled by private resources, be that of master weavers and independent weavers themselves. This trend is likely to grow.

With a growing consumer demand for niche and exclusive products, more fashion studios and upmarket showrooms are likely to invest on exclusive designs. All of them find handloom is suited for such purpose – small production with limited supply. The market demand for handloom products is likely to be led by such trends.

Handloom designs are not protected. As a result, investors are not interested lest they end up with the risk and those who copy the benefits. Protection options include development of handloom/silk/jute marks and registration under Geographical Indications Act. Given the Indian scenario of governance and business cultures, protection for handloom designs is impossible.

4. Cooperative system

While cooperatives do help in maximising the benefits for weavers in the entire chain of production, their present condition a cause of concern. The handloom cooperative system is riddled with corruption and political interference. Many handloom weavers are not members of these cooperatives. Government departments have to stop using them as primary sources for routing government funds and schemes. Cooperatives have to become independent of district-level government officers in terms of management and decision-making. Big cooperative model of production is likely to see a steady decline. However, there is a growing trend to establish self help groups, a smaller version of cooperative model. Government is also increasingly becoming inclined to promote such groups, and is reluctant to bail out large, corrupt cooperatives.

5. Women

Women are likely to continue their dominant role in handloom production. In fact, in more and more places, they would be moving into weaving positions as well, and would not be confined to pre-loom processing activities. However, their role in sectoral affairs such trade union activities, lobbying with government, liaison with officials, etc., may not be commensurate, unless enabled by specific processes. Their increasing role would be able to define the quality and growth of handloom sector and the future of handloom products. Unfortunately, the change may not be uniform across the country, and would vary from north, south and to eastern parts. With the decline in welfare funds from the government, the burden would be enormous on the women, and families, to plan individual family incomes and growth strategies. With imminent decline in wages, enabled by price competition, the living and working conditions are likely to be dismal. Atrocities and violence in some places where the stakes are high would be visible.

6. Wages, employment and livelihood issues

Wages have not increased in the last 15 years. Some sections of handloom weavers are living in hand-to-mouth conditions, with no house or assets. With emphasis on labour reforms, growth in worksheds and competition, wages may not increase. As a result, the living and working conditions would continue to dismal. Poverty would drive people to hang on despite low wages. There is a bleak scenario on livelihood and working conditions.

Main drivers of change

Handloom sector is a mature industry. Change in mature industries tends to be evolutionary rather than revolutionary in nature; but also tends to be resisted. Rapid adjustment does not easily occur. The other sub-textile sectors in comparison are more recent although not necessarily less resistant to change.

While the above mentioned situation is quite possible, the main drivers of change in the handloom sector, for better or worse, would be the following:

Focus areas of Handloom production and products

Significant production in handloom sector caters to the needs to women and the products are pre-dominantly sarees, dhotis, and other traditional fabrics. While there is still a huge market for these products, the competition in these and the changing lifestyles would necessitate the handloom sector to change its products and broaden its consumer profile from particular segments to almost all segments. Clusters such as Varanasi, Bhagalpur, Chirala and Kannoor have been at the forefront of these changes. Handlooom clusters with such capacity to respond to market needs would be ahead of the clusters which are slow to react. The ability of the handloom clusters to change has to be enhanced and this is where the future lies.

Consumer base of the handloom sector has to widen to include products for young and old, men and women, class and the mass, high cost to the cheapest, intricate design to plain fabric and low production investment to high production investment. The response of the handloom sector to change in the last fifteen years has been very encouraging. This needs to be mapped and highlighted. Government has to encourage any positive change in the sector, which sustains the character and employment of handloom production.

Skills, training and lifelong learning

Handloom skills have been passed down the generations through the engagement of the family. Family has been the source of training and learning. For many handloom weavers, learning was not only from their elders but also from their peers and friends. Sharing of skills, knowledge and design has been the strength of the handloom profession. While the proprietary behaviour among handloom weavers is rare, modern markets and competition is forcing the trend for proprietary rights as the factor for achievements in the markets. Yet, this lack of proprietary rights has been a boon for the army of modern entrepreneurs dabbling in handloom production, the benefits have never percolated down.

However, while one may not see any closure of exchange of skills and knowledge in the immediate future, growth of worksheds and increasing costs of keeping a child at home rather than employ him/her are likely to threaten this system of skill sharing. In Dharmavaram, in Andhra Pradesh, there is a system of employing children at master weavers who only take care of their daily needs of food, clothes and shelter and no wages are paid for a period ranging from 4 years to 10 years, depending on the age of the child employed. With influx of other labour into this profession, such systems are likely to develop in many other places, if not already.

Formal research institutions have failed in supporting the handloom sector through effective research into the strengths and needs of the sector. Government has established a few Weaver Service Centre's and Institutes of Handloom Technology to cater to the needs of developing the skilled labour for handloom. Most graduates of these institutions are employed in powerloom and mill sector, than by handloom sector. These institutes suffer from proper facilities and faculty. They are far removed from the needs and requirements of the handloom sector. With reducing allocations, there is no hope that these institutions would be able to respond to the growing need. Thus, the growth and sustenance of sharing of skills, training and lifelong learning is likely to be stunted, and hedged by the growing number of worksheds. However, the situation is likely to be worse only after the next five years. In any case, it would depend on the ability of the handloom sector to regain its glory and structure.

Markets – macro issues

Despite the export boom, the Indian textile industry is primarily oriented to domestic markets. Domestic consumption of yarn and fabrics still accounts for about 89 and 90 percent of total domestic output respectively. The large domestic market and rapidly rising domestic incomes therefore open important market opportunities for the textile industry.

In 1993, per capita consumption of cloth was estimated at 2.8 kgs per year. This is lower than the developing country average of 3.8 kgs and about one-sixth of average developed country per capita consumption levels. Although cotton cloth dominates consumption, the share of man-made fibre products is increasing steadily.

Per capita non-cotton cloth consumption nearly tripled in the last 15 years to 6.7 sq.m.. Its share of total cloth consumption doubled from 13 percent in 1980-81 to 26 percent in 1993-94. The higher durability associated with man-made fibres, the increased “comfort factor" associated with mixed blends, and improvements in relative costs due to reductions in domestic duties on man-made fibres seem to have facilitated these substitutions.

Ms. Shashi Singh, Joint Textile Commissioner, said, “The total size of India's textile market was US$ 36 billion with the projected size by 2010 being US$ 85 billion. Of this, our total exports were US$ 13 billion, while the projected exports by 2010 would be US$ 50 billion.

Thus, though there is the promise of rising exports and the lure of US and EU markets, domestic markets are also crucial. Sectoral shares of domestic market are not obvious, due to data problems. But definitely there is competition to increase market shares. In post-ATC scenario, the competition is not only from domestic sectors but also from other countries as well, especially China, South East Asia and South Asia.

Says Ms. Shashi Singh, "….domestic market has been growing at a rate of eight percent. This growth will get a further push from the growing organized retail market which has a three percent share in the US$ 330 billion retail market. This share is likely to grow at 20-25 percent in the coming years. This gives an ideal cushion for textile manufactures to fall back upon. So they should stop worrying about Chinese competition, rather use this opportunity to strengthen their hold on the domestic market even further, especially with the likes of Pakistan and China vying for the Indian market". (Express Textile, 1-15, November, 2005, p.23).

Given this potential, there is clamour from non-handloom sectors for removal Handloom Reservation Act and Hank yarn Obligation on spinning mills. The argument is that while the domestic non-handloom sector has to follow this reservation, imports do not necessarily have to follow this. But really, none of the items reserved are produced in any other country, except in India, on the scale they are produced here. Secondly, even if the Chinese or any country does produce these reserved items, the choice of the consumers is with the Indian brands.

For handloom sector, this reservation is crucial to protect its markets. Alternately, handloom sector can also survive with reservation if the government can regulate the textile industry and ensure a proper level playing field. However, despite lax implementation of enacted laws and implementation of protectionist measures, core handloom markets would continue to remain with the handloom sector if the price parity can be matched. Markets in foreign countries are likely to rise.

Competition is now uneven, with mill and powerloom sector getting subsidies in various forms. Secondly, powerlooms have been undermining handloom markets by selling their products as handloom.

Governments in India have been focusing their efforts on powerloom sector, rather than build the export-base by encouraging the handloom sector with appropriate measures. Handloom sector has been a consistent source of textile exports from India, and has been the only sector which has successfully prevented cheaper textile imports coming into India. Handloom sector has been catering fully to the domestic niche and cheap markets, as well as value-added exports in the international markets. It is time that the government of India recognized the strengths of its own textile sector, and work upon further strengthening of this sector by undertaking appropriate policy measures. Indian textile sector is likely to be balanced by the bulwark of handloom production, and would be able to remain competitive in the international markets only through the growth and vibrancy of handloom production.

Globalisation

Although there may be cases where sector specific proposals may be justified, the government does not intend to provide for any subsidies, or for a privileged treatment of the sector, or for the replacement of existing schemes.

These are mainly related to developments in international and thus, national environment, in particular the elimination of import quotas on the 1st of January 2005 and the challenges and opportunities of a new round of multilateral negotiations; the evolution of competitiveness factors increasingly associated to innovation, research, skills, quality and creation; the preparation for higher exports; permanent restructuring and modernisation processes.

Trade agreements have influenced the production, manufacturing, and sourcing of textile and apparel products. Small- and large-scale restructuring of the industries of the world are required in response to the changes in trade of textiles and apparel. As a result of the Multi-Fiber Agreement (MFA) 1974, Agreement on Textiles and Clothing (ATC) 1994, NAFTA 1994, and the transitional program of the WTO of 1995, global sourcing had thrown up opportunities for Indian products.

Furthermore, these developments are occurring during a period of marked feverish activity in Indian economic administration, and in some of India's more important export markets, adding the difficulties associated with a vibrant demand to an already complex situation.

For the first time after almost four decades, with the elimination of import quotas on 1st January 2005 pursuant to WTO rules, Indian textile and clothing sector will be subject to the same trade and import rules as any other industrial sector. The movement that started with the final elimination of quotas, which had been negotiated at the end of the Uruguay Round ten years ago, and the process of adaptation to the new circumstances, has coincided with other structural changes in the industry due to the market and general economic situation and technological changes.

If it is the primary responsibility of the handloom sector to meet these challenges, the role of government is and will remain to establish a favourable framework of conditions in which handloom, like other sectors, can develop and enjoy the opportunity to compete, domestically and internationally, on the basis of equity.

Textile and apparel trade has been changing since 1994, under the influence of trade agreements. Statistical measurements of offshore sourcing of textile and apparel need to be analyzed with emphasis on developments in countries within NAFTA and the World Trade Organization (WTO). Post-2004, it is expected that sectors have to strengthen themselves to face the challenges posed by the free textile trade regime.

Prior to NAFTA, major textile and apparel trade with US involved the "far shore" countries of China, Hong Kong, Taiwan, South Korea, and the "near shore" countries of Canada and Mexico. Charting statistical measurements from the databases of the Office of Textile and Apparel, US Department of Commerce for the past decade reveals dramatic changes in sourcing locations for US firms.

In this context, it is important to assess the implications of WTO-related textile and clothing trade agreements on the handloom sector. While there is no such assessment available, nor done by either the governments or the research institutions, handloom being low cost production is likely to benefit.

While there are supposed to be some sops for traditional industries such as handlooms in the WTO agreement, governments in India have failed to educate the handloom weavers on what these provisions are, and how the application of the same would benefit or affect them negatively. In any case, it is obvious that interests of the handloom sector have not been integrated into the national trade negotiating positions.

In fact, none is aware of the government's position on handloom sector. Everybody agrees that it is not easy to analyse market access barriers, influence international standards or track the impact of multilateral negotiations on exporters in handlooms. This becomes much more difficult when the governments want to intentionally keep out the handloom sector, as part of restructuring the Indian textile sector. Interests of crores of handloom weavers are being ignored.

Environmental change and Policies

Among industrial activities, the contribution of manufacturing to various environmental impacts is enormous. Environmental impacts from manufacturing industries can be seen such areas as toxic chemicals, waste, energy, and carbon emissions. Manufacturing in developed countries is also a heavy user of water, and there have been many cases of air, water and soil contamination which have led to such actions as cleanups, class actions suits and a variety of other corporate liabilities.

In recent years, textile industry in developed countries has been facing severe problems, the most serious of which are those connected with pollution. In fact, governments have been bringing up environmental laws which strictly prohibit wastewater discharge in water ways. Environmental aspects in the textile industry are typically addressed at the corporate level, and the environmental costs are viewed as corporate overhead. This situation indeed poses much obligation on the part of industries and also increases production costs.

Environmental impact can be seen in all phases of textile production and use, from growing or making fibres to discarding a product after its useful life has ended. The physical environment is affected by these processes, including resource depletion, pollution and energy use; the biological environment, by considering what happens as a result of manufacture, and the social environment as it impinges on our psychological, physical and physiological comfort, as well as our financial well-being.

Eco-friendly wet processings of textiles are major concerns of textile producers nowadays to attain high quality products without diversely affecting the environment quality and the end-user health. New trends in eco-friendly textile finishing include zero-formaldehyde finish as well as biofinishing of cellulose containing fabrics.

All textile processes have an impact on the environment. The modern textile industry uses large amounts of natural resources such as water, and also chemicals and solvents. Most modern textile industry uses energy, produces solid waste, discharges effluents and emits dust, fumes, etc to the atmosphere. Many textiles companies are located in rural areas where environmental protection is more of a key issue.

Environmental compliance in India is very low. The costs on the environment are externalized from the production cost. One can clearly see the subsidization of environmentally-malignant technologies and production. By externalising these costs, today modern textile industry claims it has cost advantages vi-a-vis handloom production. With growing competition, environmental issues can no longer be externalized by the textile industry and the government. Competitiveness cannot be built by destroying the natural resources. Government with its various obligations has more responsibility in this regard. With increasing FDI flow into the Indian textile industry, this becomes all the more imperative.

Indian textile leaders should realize that to remain competitive operating costs have to be reduced and environmental compliance has to be increased. On the contrary, companies are resorting to lobbying with the government to reduce duties on environmentally-malignant raw materials and processes and to ignore the environmental impacts. This cannot continue for long, as cost disadvantages catch up with the increasing competition. As it is, companies are faced with rising water and other raw material costs. Efficient and effective use of raw materials and improved process operations are vital if companies are to remain competitive. Pressure is likely to be exerted by competitors and consumers on environmental impacts. It is in the interest of Indian textile industry to promote handloom sector and also environmentally-benign technologies and practices.

Government should also integrate environmental goals into the national textile policy, enable stringent legislative controls. It cannot have unsustainable growth strategies, as environmental costs are proving to be a drag on growth and development. Environmental issues should be an essential part of textile growth policies.

In India, a comprehensive approach has not been undertaken before on environmental impacts of textile manufacturing and has never previously been associated with textile production and use.

Environmental compliance needs to be more cost effective and more efficient by addressing them at the source of environmental impact generators. A more efficient compliance with proper environmental guidelines is required for significant cost reduction on environment.

Common Chemicals and Chemical Categories in Textile Manufacturing	
Process	**Chemicals and Chemical Categories**
Dyeing/Printing	Ethylene glycol, certain glycol ethers, methanol, copper compounds, chromium compounds
Desizing	Certain glycol ethers
Sizing	Methanol
Scouring	Biphenyl, xylene, certain glycol ethers
Chemical Finishing	Certain glycol ethers, methyl ethyl ketone, formaldehyde
Coating Operations	Dichloromethane, methanol, methyl ethyl ketone, toluene
Article/ Formulation Components	Chromium compounds, copper compounds, methanol, antimony compounds
Manufacturing/ Processing Aids	Ethylene glycol, methanol, phenol, toluene, xylene, biphenyl
Reactants	Diisocyanates, formaldehyde, methanol, phenol
Source: Emergency Planning and Community Right- To-Know Act Section 313 Reporting Guidance for the Textile Processing Industry, US Environmental Protection Agency, May, 2000	

Exposure to these substances has been demonstrated to cause adverse health effects such as irritation of the eye, lung, and mucous membranes, effects on the central nervous system, and damage to the liver. The EPA has classified two of the hazardous air pollutants, methylene chloride and trichloroethylene, as probable or possible human carcinogens.

Water is used extensively throughout textile processing operations. Textile operations vary greatly in water consumption. Water use can vary widely between similar operations as well. The various stages of textile production (from spinning, weaving and knitting, to dyeing and finishing) require enormous energy and water use. Tirupur is a significant example for how Indian natural resources would be destroyed to sustain export-led mechanised textile growth.

Textile manufacturers use energy as a raw material input to the manufacturing process or for some other purpose usually referred to as non-fuel use. Electricity consumption cost is increasing in textile mills. Further, textile manufacturers have to deal with rising supply costs related to high oil and natural gas prices.

In textiles - India's single largest organized industry - energy in the form of coal, electricity, and furnace oil accounts for an estimated 12%-15% of total cost of production.

There is a demand from the Indian textile industry for subsidies from the government for their energy usage. They wanted international parity in energy prices. Incidentally, this pre-budget from textile lobbies included a demand for reduction on duty for furnace oil to ease production costs on captive energy production for mills.

The textile production is based upon natural fibres such as wool, silk, linen, cotton and hemp, and man-made fibres, the most common of which are synthetic fibres (polyamide, acrylic) made from petrochemicals. Most of the clothes today contain polyester, elastane or lycra. These are being projected as cheap and lesser maintenance fabircs. However, their manufacture creates pollution and they are hard to recycle (with nylon taking 30 to 40 years to decompose).

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 organisations in their given spheres. Handloom sector is likely to gain from this debate and any positive changes from such debate.

Government policies

In the era of economic liberalization and globalisation, there is a general thinking in the bureaucrats and policy makers that some sectors, which have been given primacy in the previous years of governance, should not be given any more of the policy benefits. The justification given is that subsidy to these sectors had not helped the growth of Indian economy, and continuation of the same in future would not help in gaining benefits from the integration of Indian economy with the global economy.

However, it is being conveniently forgotten that most of the so-called policy benefits have never reached the actual beneficiaries, basically because of corruption, top-down approach in planning and design of programmes, and half-hearted implementation.

Late Sri. Rajiv Gandhi, as a Prime Minister, had created a sensation in 1985 when he admitted that only 15 percent of all the government programmes actually reaches the beneficiaries. Realizing this, time and again, different initiatives have been taken. One such initiative had been to involve voluntary organizations in welfare and developmental programmes. Presently, governance reforms are being brought in to improve the delivery of government services.

Now, the current thinking is market competition is the best, and all subsidies are wrong. However, it is not yet realized that in the most developed countries, subsidies are still offered by the governments to sectors, which are not competitive, and which serve the common interests of the people. In India, this is ignored, and a general philosophy of competition is being applied everywhere. Apparently, this is also not followed in principle and practice. Subsidies, sops, tax reliefs and other benefits are being offered to the most powerful sectors and associates, on the sly. Lobbying is the key. Today, it is not political representation which begets some policy benefits. It is lobbying done by associations through business connections and offers to political parties.

Relying on reports of multilateral institutions and corporates, policy makers have been ignoring this industry while formulating the growth plans of Indian textile sector. This ignorance will only be at the peril of Indian textile sector.

In the case of handloom sector, policy benefits offered on paper are being withdrawn, while tax reliefs and subsidies are being offered to the powerloom and mill sectors in the name of encouragement to exports. These recent measures are clearly intended to deliberately change the diverse, broad-based structure of textile sector in India. Creating a monolithic structure, in the name of modernization, would prove detrimental to the interests of the poor in India, and poverty is definitely likely to rise with the ongoing policy steps. Policy scenario today is muddled with more corruption, fissiparous tendencies, nepotism, secrecy, and misunderstanding. In this issue, we decided to focus on the reduced allocations to handloom sector in Andhra Pradesh, wrong priorities of policies, and inappropriate design of schemes.

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 protoganist section. As a result, decisions of the government have been extremely adverse, retrograde and detrimental to the interests of the handloom weavers.

In view of the challenges that the sector will face in the coming years, a review of government policies and instruments is required, with the objective of identifying measures or lines of action that can improve the competitive position of the sector. Taken together, the aim is at providing handloom sector and those who work in the sector a clear, predictable and coherent framework so that strategies and investments can be more easily planned for the medium term.

While earlier there has been lot of emphasis on rhetoric, presently it is the reverse. There are all sorts of assumptions in the policy-making circles about the handloom sector. These assumptions were epitomized by the Satyam Committee, and the World

Bank. In a typical example of bureaucratic arrogance and 'external' chauvinism, Satyam Committee says, "the growth of handlooms in the country has been in the warm confines of protection and support". On the contrary, it is the interference of the government and political debauchery that has ruined the handloom sector. Government schemes have enabled the development of whole system of middlemen and their representative institutions who have insulated the government from the realities of the handloom weavers. Despite government schemes, poverty among handloom weavers is rising. An independent sector has been brought onto its knees in the last thirty years of experimentation and indulgence.

Conclusion

There is a future for handloom sector in India beyond 2015, for different reasons, even by the most pessimistic analysis. However, the living and working conditions for handloom weavers is likely to decline, unless there are specific interventions. Government is likely to reduce its role further, irrespective of the party in power. Competition is likely to increase from other sub-sectors of Indian textile industry, with government playing a partisan role. However, the bright future of handloom sector is ensured by the very characteristic of this competition – hitting at the weakness of countries. Environmental change and emphasis on conservation of natural resources should be able to help the handloom sector. However, one needs active government support here. Markets, both domestic and foreign, would continue to demand handloom products given the exclusivity and niche factors inherent in handloom production. But, handloom sector would be constrained by the raw material accessibility issues, unless resolved favourably.