

GAPS Series

Workshop Proceedings : 1
September 2004

Proceedings
of the Workshop on

**Crisis in Handloom Sector in Andhra Pradesh:
The Ways Forward**

K Srinivasulu
V Anil Kumar
K S Vijaya Sekhar



Governance And Policy Spaces (GAPS) Project
Centre for Economic and Social Studies
Nizamiah Observatory Campus, Begumpet
Hyderabad - 500 016, Andhra Pradesh, India.

Preface

The handloom sector is a major non-farm employer in the country. This sector has been experiencing periodic crisis since the 1980s. Andhra Pradesh State, which has second largest concentration of handlooms, has been the site of an acute crisis manifest in the periodic starvation deaths and suicides among the weavers.

To discuss the problems of the handloom industry and the weavers in it and to explore its prospects in the context of globalization and liberalization, a one day workshop on the “Crisis in Handloom Sector in Andhra Pradesh: The Ways Forward” was conducted on 9th August 2004 under the aegis of Governance and Policy Spaces (GAPS) Project in the Centre for Economic and Social Studies (CESS), Hyderabad. GAPS Project is the initiative of a group of political scientists focusing on research and advocacy on governance and policy processes in Andhra Pradesh. The aim of the Project is to explore the spaces within the policy processes and to influence them from the point of view of the marginalized.

The workshop was attended by weavers, weavers’ organization representatives, different party leaders, NGO representatives, journalists apart from academics and researchers. The workshop focused and deliberated upon the following themes: i) Availability of yarn and other inputs ii) State of the weavers’ cooperatives, iii) Marketing of the handloom cloth iv) Welfare policies for handloom weavers, v) Policy spaces for the vulnerable sections in the context of liberalization.

To perspectivise and contextualise the proceedings we have included an introductory essay entitled ‘Handloom Sector and Policies: An Overview’.

We are publishing the proceedings of the workshop as part of the GAPS series because of the wider public and policy relevance of the issues and the informed and intense dialogue the workshop could generate. The participants have extended cooperation by accepting our invitation and shown serious engagement with the issues during the discussions. Prof S Mahendra Dev, the Director, CESS encouraged us in our efforts. Prof Rajen Harshe, Sri KJ Rama Rao, Sri M Mohan Rao, Sri D Subba Rao, among others helped us with their valuable suggestions. Prof S Mahendra Dev, Prof K Srinivasulu, Dr Md Noor Basha, Prof Rajen Harshe and Dr Sarangapaani chaired different sessions and helped us in the smooth conduct of the workshop. Dr V Anil Kumar and Sri KS Vijaya Sekhar were instrumental in successfully organizing the workshop and in preparing the transcript of the proceedings. Thanks are due to all of them.

K Srinivasulu
Honorary Director
GAPS Project

Contents

Preface	III
Handloom Sector and Policies: An Overview by K Srinivasulu	5 -11
Introductory Remarks	12
 Sessions	
I. Yarn Availability and Issues Related	13 -16
II. Weavers' Cooperatives and Emerging Issues	17 - 21
III. Marketing of the Cloth and the Handloom Sector	22 - 27
IV. Weavers' Welfare Policies in Handloom Sector	28 - 32
V. Policy Spaces for the Vulnerable Sections in the Context of Liberalization	33 - 36
 Appendix: Policy Suggestions/Recommendations	 37 - 39

Handloom Sector and Policies: An Overview

K Srinivasulu

The significance of the handloom sector in India lies in the fact that it is a major employer next only to agriculture. The dependence of 16 million weavers on this sector in the country is a clear evidence of its importance in terms of livelihood. The contribution of this sector to total cloth production in the country has been around 22 percent.

The State of Andhra Pradesh, following Tamil Nadu, has the second largest concentration of handlooms in the country. There are estimated to be around 1,71,660 handloom weaving families and 2,13,404 working handlooms in the State.¹ Handloom industry in the State is characterized by variation and differentiation reflecting the social and cultural diversity and complexity in the State. This can be seen in the use of yarn type and count, and type of loom, the product specificity and the specific markets for which they are produced, etc. While the cotton weaving is the dominant practice, we also find silk and wool weaving in certain centres. The product range is amazingly varied in terms of design and colour, quality and quantity, demand and price, brand name and clientele. The variation could be captured from the fact that while at the lower end coarse lungis, dhotis and sarees in low counts are produced by a majority of weavers in a large number of handloom centers, at the higher end could be seen expensive handloom center- specific silk and cotton brands with their unique designs and exclusive clientele; in between we have a wide range of moderately priced cotton and silk varieties that cater to the middle class clientele. The proportion of export varieties in this is not insignificant.

Organisational Structure

On the basis of the organisational structure and the relations of production, the handloom industry can be divided into the following sectors: i) independent weaver, ii) co-operative, and iii) master-weaver sectors.

i) Independent weavers:

Independent weavers are those who produce cloth on their own, that is, they own the instruments of production, purchase raw materials from market and produce fabric with family labour and sell the products in the local market or to traders. The stiff competition from the powerlooms and the rising prices of cotton hank yarn and dyes has been quite drastic on these weavers.

ii) Co-operative sector:

¹ This is according to the *Census of Handlooms in India, 1987-88*, conducted by the National Council for Applied Economic Research (NCAER), New Delhi. Though another Census was carried out in the mid-1990s but the results of this operation have not been available.

The handloom co-operatives are a major segment accounting for a large proportion of weavers as members. The co-operatives, that emerged as a mechanism for protecting the weavers from the dominant master-weavers and traders and recorded notable success in their objective have seen a decline since the 1980s. If the increasing use of the handloom co-operatives as channels of political ascendancy by the community elite drifted the co-operatives away from their intended purpose, then the increasing political and governmental interference, development of bureaucratic tendencies and corruption hampered their autonomous functioning. Further, the ineffectiveness of the co-operatives in ensuring regular supply of the raw materials and the delays in the payment of wages, forced the average weaver to shift to the master-weaver system. As a consequence of this, a number of co-operatives, which once had successful record, have been rendered non-functional. The bogus co-operatives, floated by influential master-weavers/ traders/ local politicians (and also by powerloom owners) to corner the subsidies and marketing facilities extended by the government and the state apex handloom co-operative body, have not only robbed the genuine co-operatives of their due share but also contributed to the credibility crisis of the co-operative sector.

The displaced independent and cooperative sector weavers were forced to migrate to the handloom centers to work under master-weavers and to powerloom centers. The migrant men weavers thus began shifting to powerlooms and women weavers to beedi making. In the urban areas where alternative employment opportunities are relatively better, we find the young weavers taking up job of shop assistants and also shifting to construction work, autorickshaw driving, etc., as the skilled handloom weaving is found to be less attractive due to low wages and continual insecurity².

iii) Master-weaver sector:

In this system the master-weaver or the entrepreneur produces cloth by employing wage labour. Either he directly markets the product or sells it to traders. Here two kinds of production practices exist: i) put-out system and ii) *kharkhana* system. In the put-out system, the weaver works at his home on his own loom using the raw materials supplied by the master-weaver for a piece rate wage. The entire family of the weaver is involved in the production process – with the adult members engaged in weaving and the aged and children helping in the preparation of accessories.

In the *kharkhana* or *shed-worker* system, the weavers work on the looms provided by the master weavers' under one roof. This system is prevalent in the handloom centres where migrant weavers are preponderant like Mangalagiri in Guntur and Koyalagudem in Nalgonda in Andhra Pradesh. With the decline of independent weavers and the marginalisation of the co-operative sector, the master-weaver sector has emerged as the dominant system by attracting the displaced weavers. It accounts for a major share in the handloom production.

Context and Developments

² K Srinivasulu, 'Handloom Weavers Struggle for Survival', *Economic and Political Weekly*, Vol. XXIX, No.36, September 3, 1994.

The present state of the handloom sector has to be seen in the overall perspective of the modernist development pursued in the post-independence period. A significant step in this direction, especially in relation to the rural economy and life in the countryside is the green revolution. The fastening of the process of modernization and commercialization of agrarian economy, following the green revolution, has had a drastic impact on the rural farming, artisan and other occupational communities like the potters, blacksmiths, carpenters, etc., in the sense of the erosion of their traditional livelihood patterns and social life. It is no exaggeration to say that it is only the handloom weavers who have shown a greater tenacity through restructuring of the industry both internally and spatially. A visible and unfortunate aspect of this story is the reduction of the weaver to a level of bare subsistence.

Within this broad context, the handloom sector could be seen witnessing remarkable changes in the nature and structure of production, technology and marketing since the late 1960s in response to (besides the agrarian transformation induced by the green revolution) the changes in the textile production and marketing, albeit with regional and local specificities. Equally significant are the changes that have occurred in the social life of the weaver communities shaping their survival responses.

The factor that contributed significantly to this change is the phenomenal growth of the powerlooms, which recorded an unprecedented increase from 1.5 lakhs in 1963 to 3.09 lakhs in 1975.³ The direct impact of the powerloom growth on the handlooms can be gauged from the assessment of the high-powered committee of the Planning Commission, headed by Shivaraman⁴, according to which the addition of one powerloom resulted in the displacement of six handlooms. The impact of the powerloom proliferation since mid-Sixties and stiff competition from its low priced products penetrating the local rural market could clearly be seen in the gradual and visible displacement of the weavers, decline in their economic well-being and loss of their independence in the production process.

Textile policies after independence, vowing to support and protect the handlooms, made several safeguards. The principal aspect of the policy perspective was that handloom industry is an important and distinct sector with its specific problems and it needs to be supported in order to ensure employment in the rural non-farm sector. Departing from this commitment, the 1985 textile policy made a policy shift and therefore it deserves to be analysed.

Policy Shift

The 1985 textile policy made a decisive shift in the policy regime in terms of perception, perspective and priorities. The earlier policy framework viewing the textile industry in terms of its employment potential accorded policy priority to handlooms vis-à-vis the other two sectors

³ Jain, LC (1983), 'Handlooms face Liquidation: Powerlooms mock at Yojana Bhawan', *Economic and Political Weekly*, August 27, Vol. 18, No. 35.

⁴ Government of India (GOI) (1974), 'Report of the High Powered Study Team on the Problems of handloom Industry', Ministry of Commerce.

(i.e., powerlooms and mills). The 1985 policy emphasizing productivity as the prime objective aimed at visualising an entirely different textile scenario.

In pursuit of this, the 1985 policy made a perspectival shift in its policy focus on the textile industry from a sectoral view (the three sectors being the handlooms, powerlooms and mills) to a process view (the important processes being spinning, weaving and product process). Thus the sectoral orientation is said to have led to the “structural rigidities” in the textile industry. Contrarily, it assumed that the prioritisation of processes would contribute to a ‘comprehensive view’ of the industry and thereby eliminate its rigidities. Accordingly, it promised to provide “fuller flexibility in the use of various fibres” and “pragmatic policies regarding creation or contraction of capabilities by units to increase competition and promote healthy growth.”⁵

The process view of the industry as a matter of fact contributed to the under-emphasis of the specificities of different sectors, especially of the handlooms, in terms of the requirement of raw materials and capital, labour conditions, production and marketing structure and consumer demand pattern, etc. Thus the relative strengths and weaknesses or advantages and disadvantages of the different sectors are glossed over. By emphasizing productivity as the main objective and insisting on the process view of the industry, the 1985 policy aimed at the creation of a level playing field between the handlooms, powerlooms and mills. This policy perspective, needless to say, was clearly to the disadvantage of the handloom sector as the crisis in the already vulnerable handlooms in the late 1980s and early 1990s amply demonstrated.

The 1985 policy, in spite of the shift, promised support to the handlooms. The Handloom (Reservation of Articles for Production) Act, 1985 reserving 22 varieties of articles for exclusive production in the handloom sector and the Hank Yarn Obligation are two important steps in this direction.⁶ The former challenged by the powerful powerloom and mill owner lobbies remained *sub judice* for eight years. During this period, the aggressive powerlooms proliferated without any hindrance. Taking a serious note of the ground realities, a high-powered committee headed by Abid Hussain, constituted to review the 1985 policy, emphasized the urgency in the creation of necessary institutional mechanism for the enforcement of the act.⁷ Ironically, the government constituted another committee and as per its recommendation reduced the number of the reserved

⁵ Government of India (1985), ‘Statement on Textile Policy: June 1985’, Ministry of Supply and Textiles, Department of Textiles.

⁶ The policy document says, that the act “shall be strictly enforced and the machinery for doing so shall be suitable strengthened”, *ibid*, P. 4. Unfortunately, no such steps were taken.

⁷ For a discussion of these issues, see, K Srinivasulu (1996), ‘1985 Textile Policy and Handloom Industry: Policy, Promises and Performance,’ *Economic and Political Weekly*, December 7.

Abid Hussain committee observed that the “high and fluctuating prices of yarn” as an important cause of the hardships of the handloom weavers. It further noted the violation of Hank Yarn Obligation order by the spinning mills requiring to produce 50 percent of their yarn output in hank yarn form as compounding the problems of the weavers.

See, Government of India (1990): ‘The Textile industry in the 1990s: Restructuring with a Human Face’, Report of the Committee to Review the Progress of Implementation of Textile Policy of June 1985, New Delhi, January, P. 11.

items to eleven. The fate of this act clearly illustrated how whatever limited legal safeguards the handloom weavers are promised with are diluted and rendered ineffective by the powers-that-be.

The Hank Yarn Obligation Order requires the spinning mills to process 50 percent of their output in hank form to meet the requirements of the handlooms. This order was more often violated than adhered to.⁸ Making use of various exemptions, the mills actually tried to avoid the target. Thus a World Bank report noted, “the actual deliveries of hank yarn generally averaged about 25 percent of total yarn output during the last decades”. The obligation, instead, has been transferred to the public sector – NTC and State government – and cooperative mills.⁹

Economic Reforms

The macro-economic reforms initiated in 1991 pushed further the liberalization of the textile industry initiated by the 1985 policy. One of the important aspects of this, which had immediate impact on the handlooms, was the liberalization of the export of yarn and dyes. The trade liberalisation led to a sudden increase in the exports of yarn (and cotton); in this the proportion of hank yarn, especially in the counts of 20s and 40s used by a large proportion of weavers, increased many times.¹⁰

The rise in the prices of inputs, i.e., yarn and dyes, is crucial to the handloom crisis. The violation of the Hank Yarn Obligation by the spinning mills, the crisis and closure of the cooperative spinning mills, trade liberalization encouraging exports of yarn and dyes have compounded the problems of the weavers by paving the way for an acute yarn crisis.

The handloom crisis witnessed in AP in 1991 was the most acute one in the recent memory. Within a span of few months, with the prices of hank yarn mounting, following the increased exports and the master-weavers disinclined to continue production, the weavers found themselves out of work and were pushed into starvation. More than 110 weavers died out of starvation or committed suicides.¹¹

⁸ Abid Hussain committee also observed that the “high and fluctuating prices of yarn” as an important cause of the handloom crisis. It noted the violation of Hank Yarn Obligation order by the spinning mills as a major factor that aggravated the yarn crisis.

Government of India (1990): ‘The Textile industry in the 1990s: Restructuring with a Human Face’, Report of the Committee to Review the Progress of Implementation of Textile Policy of June 1985, New Delhi, January, P. 11.

⁹ World Bank, ‘India - Cotton and Textile Industries: Reforming to Compete’, Volume II, Rural Development Sector Unit, South Asia region, January 14, 1999, Report No. 18857 – IN, Annex 3, Page 10 of 34.

¹⁰ K.Srinivasulu (1996) [footnote 7].

¹¹ For a detailed documentation of the 1991 crisis, see, ‘*Chirugu Patala Baruvu Batukulu: Cheneta Sankshobham pai oka Parishelana*’ (Telugu). APCLC, Guntur, March 1992; and ‘Starvation Deaths in Andhra Pradesh’, *Frontline*, December 6, 1991.

The government's response to the yarn crisis consisted of two specific schemes. They were Mill Gate Price Scheme (MGPS) and Hank Yarn Price Subsidy Scheme. Needless to say the yarn supply targets aimed at under these schemes were far less than the actual requirements. While the per annum requirement of the hank yarn is assessed to be around 460 to 480 million kgs, the hank yarn target under the MGPS was 10 million kgs and that under the HYPSS was 20 million kgs (with a subsidy of rupees 15 per kg). These schemes were meant for the weavers in the cooperative sector, when in fact a majority of the weavers are in the master weaver segment. Further the yarn supply was grossly out of tune with the diversity that characterizes the handloom industry in terms of the count, quality and requirement.¹²

National Textile Policy

The 2000 textile policy, it is stated, has become imperative to meet the challenges and requirements of the changed environment consequent upon the liberalization of the Indian economy and the new trade regime being initiated by the World Trade Organisation (WTO). Thus it would be instructive to examine the possible implications of this policy to the handlooms.

The Government of India constituted a committee, under the chairmanship of SR Satyam in July 1998, to make recommendations for this purpose. The report of the committee, which is kept confidential, contains recommendations that have far-reaching consequences for the textile industry in general and for the handloom sector in particular.¹³

The Satyam committee report, deviating from the established practice of differentiating weavers on the basis of organisation of production into co-operative, master-weaver and independent weaver segments,¹⁴ which has been an accepted method and basis for policy initiatives, argued for the categorization of weavers on the basis of the 'quality' of cloth produced. Accordingly, three tiers are identified. In the first tier are grouped the weavers "producing unique, exclusive, high value added items" in the second tier producers of "medium priced fabrics and made up articles from not-so-fine counts of yarn" and in the third tier are included those producing "plains and low cost textile items".

What follows from this is the most significant of the recommendations of the committee that is to shift the weavers of the third tier to other tiers of handloom and powerloom sectors and other

¹² During this crisis, when yarn is what was needed, the government introduced 'Loom to the Loomless Weavers' scheme with an allocation of Rs. 523.20 crores. A clear instance of the callousness in the governmental response.

Government of India (n.d.): *Compendium on Handloom Schemes*, Development Commissioner for Handlooms, Ministry of Textiles, New Delhi.

¹³ The discussion in this section is based on K Srinivasulu, 'A Death-blow to Weavers?', *The Hindu*, March 28, 2000.

¹⁴ The similarities with the 1985 textile policy are striking. While the 1985 textile deviating from the sectoral view emphasized on the process view, the Satyam committee viewed the internal differentiation in the handlooms and also powerlooms in terms of the products. Thus the distance from and under-emphasis on the relations of production as a category of understanding and policy making becomes complete.

occupations. For the 'least painful conversion' the first tier of powerloom and handloom sectors are identified as 'alternative avenues of livelihood'. The Government is suggested to take steps in this direction by providing the weavers with semi-automatic looms and necessary training.

As stated earlier, the principal objective of the report is to suggest the ways of coping up with the competition in the international market. It therefore suggested the government to support the weavers in this regard by devising special schemes. In such a competitive context, it felt that there was no place for protections and therefore in the same breath it recommended the scrapping of the Reservation Act and Hank Yarn Obligation, the two crucial legal measures, though ineffective in implementation, meant to protect the handloom sector.

Thus the major thrust of the government in the context of neo-liberal reforms has been on orienting the handloom sector to the globalisation process as a principal strategy for its survival¹⁵. What is in the process lost sight of is the strength of the handloom sector, which lies in the acceptance of and demand for its products in the local market. Needless to say, the specificity and specialty of handloom products is largely determined by the local traditions and customs. The community skills, techniques involved in different stages of production are historically evolved and are owned and imparted communally. For this reason, handloom production is characterized by region-specific diversity. Thus it cannot be reduced to or understood only in terms of abstract demand and supply principle of market. The emphasis on the export-orientation as a strategy of survival is not only against the very nature of handloom production but in fact would prove to be suicidal for the handloom weavers. What is in store for the millions of the already impoverished weavers is a future of further misery and starvation.

It is therefore necessary to rethink the handloom question with a view to evolve alternative strategy to strengthen the sector and secure livelihood to the weavers. The following have to be the basic premises of such a strategy. Firstly, it must be recognized that the strength of the handlooms is the local society and market. This relationship has experienced serious strains and violence. It may be difficult to restore it. But it is politically possible to rediscover the handlooms – agriculture relationship on a different plane. For this, conscious civil society initiative and efforts are required in addition to the state support.

Secondly, in the absence of alternative sources of mass employment emerging, as the last decade and half experience with liberalization has shown, it becomes the responsibility of the state to protect the existing employment, of course with necessary changes. What is required and therefore to be demanded is a critical intervention and support of the state in terms of providing accessibility to raw materials, credit and market intelligence. Further, it is also necessary that the state plays *its* role in strengthening the welfare and security of the weavers in this sector.

¹⁵ The earlier Committee headed by Mira Seth also made similar recommendations. For a critique, see, K Srinivasulu (1997), 'High-Powered Committee, Low Voltage Report: Mira Seth Report on handlooms', *Economic and Political Weekly*, June 14.

Introductory Remarks

Prof K Srinivasulu in his introductory remarks explained the objectives of the GAPS project, which is a collaborative project of a group of political scientists working in the field of public policy, and mainly based in the State of Andhra Pradesh. The central concerns of the project are:

- i) To understand what happens to the state and policy process in the context of globalization and liberalization and specifically with regard to the state capacity vis-à-vis the different classes, especially the marginalized groups and the different aspects of development and welfare;
- ii) To examine the spaces and opportunities available to the marginalized within policy processes and what is happening to them in the context of liberalization. The GAPS project aims at involving marginalized sections in the policy dialogues so that the awareness of the policy processes and democratic participatory possibilities for the marginalized groups could be expanded.

The workshop on handlooms, he said, has to be seen as part of the larger aim of facilitating the participation of the vulnerable sections of society and thereby expanding democratic spaces in the policy processes. The importance of this workshop and especially its timing lies in the fact that the handloom sector, the second major source of employment in the country and in Andhra Pradesh, has been experiencing tremendous crisis. If the historical vulnerability of the sector to techno-economic changes is an important factor, what has constituted the critical context is the shift in the policy framework initiated in the mid-1980s. If the 1985 textile policy could be credited with initiating the phase of liberalization of the textile industry then the economic reforms, especially the trade liberalization, launched in the early 1990s can be seen pushing it further.¹⁶ This resulted in a sudden increase in the prices of cotton yarn and dyes thereby leading to the stoppage of production by the master-weavers in a number of handloom centres.

Prof Srinivasulu mentioned that noting the critical significance of yarn and its price fluctuations different influential committees, like the Committee of the Planning Commission headed by Abid Hussain and I K Gujral Parliamentary Committee, pointed out the importance of making yarn available to weavers at reasonable prices, but successive governments have not paid attention to this issue. This he suggested is not due to a simple negligence but a reflection of and pointer to a deeper change in the official policy. Meera Seth Committee and Satyam Committee reports sought to concretize it by suggesting that

¹⁶ For a detailed analysis, see, the essay 'Handloom Sector and Policies: An Overview' by K Srinivasulu.

to make the handloom sector internationally competitive it is necessary to prune the dependence on handlooms shifting the workers to other sectors.

Prof Srinivasulu opined that in view of the claims of the newly elected governments at the center and state levels being pro-poor and pro-marginalized the handloom sector and problems of the weavers have apparently gained political and policy visibility. The present workshop assumes importance for it can facilitate the *voices* of the weavers to reach the policy makers. The informed deliberations on the issues critical to the survival of handloom industry such as yarn, cooperatives, marketing and welfare schemes by activists, scholars, officials and representatives of political parties in this workshop, he said, would be useful to the government to evolve meaningful policies and schemes that would be both weaver-friendly and growth-oriented.

Session I

Theme: Yarn availability and other issues

Chair : Prof Mahendra Dev

Prof Mahendra Dev emphasized the importance of the workshop by pointing out that the handloom sector is the second important employer after agriculture. He said that handloom sector is important also because it can add to economic growth; economic growth improves as employment improves. He then mentioned the importance of the availability of yarn at affordable prices. With these remarks, the discussion was initiated.

Dr Sarangapani, the Hindu College (Machilipatnam), suggested that the yarn question has to be viewed in the context of fact that there is structural inequality in the industry and it cannot be ignored. Mills supply yarn to handlooms and compete with handlooms for markets for cloth. Handlooms are dependent on mills for yarn supply and this dependence has grown over the years. This is a major problem. The successive textile policies have not taken any measures to remove this dependence and the resultant structural inequality. Textile policies have focused on modernization of mills. As the modernization of mills takes place and their capacity utilization increases the dependence of handlooms on mills increases. The crux of the problem is the yarn availability to the handlooms. There is an obligation on the part of mills to provide yarn in the form of hank form. In spite of this, the textile mills have never supplied enough hank yarn to handlooms; this fundamental problem is always ignored. The entire system of supply of hank yarn to handlooms (from composite mills) has been failing for quite sometime, and this includes supply through APCO also. Afterwards, the capacity limits on mills and powerlooms have been lifted and the restrictions on the export of yarn have also been lifted. Increased proportion of usage of yarn by mills, their modernization, has led to the shortage of yarn for handlooms. The entire system of supply of yarn to handlooms has failed. In this context, we should consider the modernization of mills and increase in the production capacity of mills and powerlooms. The removal of restrictions on the export of yarn should also be considered.

Dr Seemantini Niranjana said that making yarn available in the right counts and right quality to weavers is a complex problem. Apart from this, she said the problem is also the continuous rise in the price of yarn (particularly for the past six months). She asked as to why there has been no regulatory mechanism to control yarn prices. According to her this aspect of regulation we should look into. She mentioned of a public hearing organized by Dastakar on yarn crisis attended by different officials, non-officials and stakeholders. What was striking during the public hearing was that the government officials denied any crisis in the availability of yarn. The following issues need to be considered:

- The law pertaining to the yarn obligation on the part of the mills is never adhered to.
- There is a need to look into the technology of hank making itself.
- The technology to produce hank yarn is outdated and that doesn't provide any incentive for the millers to produce hank yarn with that technology and that this aspect should be looked into by the government.

It is also necessary to have a survey of spinning mills. A number of cooperative mills are closing down and private mills are not producing hank yarn. Therefore, there is a need to know what is happening at the level of production of hank yarn. Even though physical survey of mills is difficult, it needs to be done.

Sri Mohan Rao, representing the Rastra Cheneta Karmika Samakya, said that the closing down of the mills in cooperative sector is the main reason why the yarn is not available to weavers. All these cooperative mills have been shut down. Dependence on private mills is total. It is now the mercy of the private mills that matters. Government and many of its committees are expressing their incapacity to do anything in this regard. Government never took interest to act on this. The private mills neither come under MRTP Act nor under 1952 Act. These Acts are not applied to the mill sector. How much yarn is needed in the country? How much is being produced by composite mills? How much is being exported? How much should be exported and how much should be demarcated for domestic consumption? These issues are never reviewed by the government. The negligence of the government in implementing the textile control order is the problem. On an average 52 million kgs of hank yarn is needed per year, of this not even 50 per cent is made available.

Sri Mohan Rao said that hank yarn obligation is reduced in 2003 to 40 per cent. For high quality yarn, weavers producing high quality cloth in Pedana, Dharmavaram, Gadwal and such places, have to invest in advance. Even then the supply is not there from the mills, which produce this high quality yarn. Regulation and control of hank yarn production and its distribution to weavers is necessary. No one knows which authority is responsible for this and no authority takes care of this. The officials also express their inability to control and regulate production and distribution of hank yarn; it is all largely the state failure. In Andhra Pradesh, only one or two mills are producing hank yarn. For the rest of the requirement one has to depend on neighbouring Tamil Nadu. This is in spite of the subsidies and state support for modernization of the mill sector.

The state has been driven to the situation of incapacity vis-à-vis millers. The government doesn't listen to parliamentary committees. Government does not take the responsibility of making yarn available to the weavers in spite of the suggestions of many committees. During the past six months the prices of hank yarn went up by 12 per cent; Industry dy-

namics are responsible for this. Spinning mills should produce 50 per cent of the produce as hank yarn and government should monitor the production and delivery of yarn. Today prices of hank yarn have gone up because of shortage of supply, because mills are not producing the hank yarn that they are supposed to produce.

Prof K Srinivasulu by summing up the discussions stated the following:

- ❑ Hank yarn obligation has been systematically violated by mills. Composite mills are not doing any favour to the handlooms in this. They get subsidies, excise duty exemptions etc., from the government and therefore they are obliged to produce hank yarn. The fact that they are not abiding by the obligation and there is no effective governmental mechanism to enforce it is the main cause of the yarn crisis faced by the handlooms.
- ❑ There has been a systematic closing down of the mills in the cooperative sector; this has only compounded the problem. As a result, hank yarn has to be bought from far-off places which has led to the increase in the prices of yarn.
- ❑ In this context the recommendations of the Satyam Committee that there can't be any hank yarn obligation anymore and that there is a need to create a level playing field between different sectors of textile sector assumes significance. Therefore, in these circumstances, when there is a clear shift in the policy towards the handlooms, it is necessary to reflect on the options and strategies before the weaving community, civil society, etc.

Sri Koratala Satyanarayana of CPI (M), at this stage re-emphasised that in the context of economic reforms the state has given up its responsibility. The achievements of weavers owing to their struggles have also been diluted. Yarn is important but the government is not able to plan how much is required and how much should be produced. Planned economy is not there; its all adhoc. Free market is the slogan. State is giving up its responsibility towards society. If handloom sector is to be defended, state should resume its social responsibility. The exports and other things should be planned according to this requirement of domestic sector of handlooms.

Prof K Srinivasulu added that the handloom sector is diversified in Andhra Pradesh, therefore there is a need to create a machinery that looks into the yarn requirements of different handloom centers and make available specific counts of yarn in required quantities. He also asked as to why the government doesn't think of exporting finished handloom cloth instead of exporting cotton yarn. He emphasized the need for a debate on the question of exports.

Sri M Mohan Rao said that many cotton mills in Andhra Pradesh are exporting yarn and are not thinking of exporting cloth. Mohan Rao said that the crisis is at the village/local/state level while policy making is at the central level. Secondly, in North East India the government gives special packages for weaving because there are militant movements on different grounds threatening the sovereignty of the state.

Prof K Srinivasulu pointed out that the weakening of the weavers' organizations, unlike in the 1950s and 1960s, is an important aspect of the handloom scenario in the State. In spite of the spatial concentration of weavers in certain constituencies, that they are not able to make much difference in political and policy terms is a matter of serious concern.

Dr Sarangapani said that the term government or state is abstract term. Are the real persons who sit in positions of power competent enough to cater to the complex needs of handloom sector? He said that the demands of the handloom weavers' movements have always been the same. These questions have been continuously made. This raises the question as to whether there is capacity to the state to address these issues.

M Mohan Rao affirmed that the state has the capacity to address weavers' problems if it wants.

He said that the state should take over the closed mills in the cooperative sector and should produce 100 per cent hank yarn. If that is not done, with most private mills going in only for exports, the hank yarn crisis would be still more serious. Sri Shanta Rao said that without the strong political will of the government the handloom sector cannot survive.

Sri Durgam Subba Rao contrasted the approaches of Gandhi and Nehru and said that Nehru's approach caused the problem from the beginning. Now we should demand the government to take over the closed cooperative spinning mills.

Prof S Mahendra Dev concluded that if the government has the political will the problems can be solved and the closed down cooperative mills issue can be taken up. With these concluding remarks the first session came to a close.

Session II

Theme: Weavers cooperatives and emerging issues

Chair : Prof K Srinivasulu

Prof K Srinivasulu chaired this session and in his introductory remarks he said that within the handloom industry one can identify three sectors.

1. Master-weaver sector
2. Independent-weaver sector
3. Cooperative sector

Master weaver sector is organized on commercial lines. Here the master-weaver employs wage labour and is responsible for designing, production, marketing and promotion. The independent weaver sector, where the weaver worker takes care of all the aspects of weaving and sells the product in the local market or to the trader, has declined giving way to the master weaver system.

The cooperative sector, which emerged as an alternative to the master-weaver sector and was seen as a mechanism to protect the independent weaver, has also experienced a tremendous crisis. The reasons for this are: i) political intervention from outside; ii) rampant corruption; iii) lack of proper and timely support in terms of inputs, credit and marketing. As a result of the crisis most of these weaver workers who are part of the cooperative sector have shifted to master weaver sector.

In the context of globalization and liberalization, when the role, capacity and priorities of the state have undergone a shift, there is a necessity to revive the cooperative sector, and it is possible to channelize the support to weavers only through cooperative sector. What in fact ails the cooperative sector? What policy shifts have taken place vis-à-vis the cooperative sector and how can cooperative sector be supported? through what schemes and programmes? Prof Srinivasulu suggested that the above issues deserve to be debated in this session.

Sri KJ Rama Rao said that for employment generation and sustenance the government has chosen cooperative sector in the 1970s and till early 90's it has functioned very well. With the increased privatization and marketization, the cooperatives have declined. Lack of organizational capabilities among the weavers is also one of the reasons. Tricky operations such as trading power loom produced cloth in the name of handloom cloth by the APCO has also caused decline of genuine cooperatives. Broadly speaking, the marketing of cloth has gone into the hands of middlemen and brokers. These middlemen and brokers have caused the ruin of the cooperative sector. Congress government is now promising to

revive cooperatives. Unless this is done things will remain in a bad shape. Many of the weaver workers are working as laborers and bonded laborers (*vetti* workers) under the master weavers and most of them do not have any rights and in case they get organized, they will be thrown out from the work place. The failure of the cooperative sector and failure of the schemes within the cooperative sector have added to the crisis and suicides of the weavers is a tragic the manifestation of this.

According to Sri Rama Rao the success of Polavaram weavers' cooperatives is because they do not depend on the APCO and respond to the local market needs and produce accordingly. Making cooperatives sector successful depends also on the weaver-workers and their capacity to organize themselves. When the leaders of the cooperatives become brokers or middlemen then cooperatives decline. Corruption among cooperative sector officials is also a reason why cooperatives have declined. The vigilance of the organized weavers can only check this tendency. There is still a lot of demand for handloom cloth. Most of the profits made in the sector are not reaching the weavers. They are being pocketed by the middlemen. Weavers through their initiative and proactive role have to safeguard the cooperative sector.

Sri Karnati Dhananjay of the BJP said that of all the weavers in the State only 20 per cent are working in the cooperative sector and the State government is not interested in any permanent or lasting solutions and has only responded with ad hoc measures. He felt that all the weavers should become cooperative members and government should support them. The WTO, new technology, jet looms are the trend now and weavers cannot compete with these new trends. Even by putting stringent conditions on them government should protect handlooms.

Sri E Ashok of the CPI said that the major problem is the bogus membership in cooperative sector. This bogus membership should be abolished. In Ananthapur for example, all the cooperative societies are bogus societies. There is a movement in that district against them. Another aspect Ashok pointed out is the corruption in the cooperative sector. There is corruption among bureaucrats, weavers' leaders and others. The schemes do not reach the ordinary weaver. In order to save the ordinary weaver there should be a rebate of 20 percent. Sri Ashok said that cooperatives draw more amount than what they actually spend. But of all the issues, the issue of bogus societies is a major one and we can rejuvenate cooperative sector only by abolishing the bogus cooperatives.

Dr Shyama Sundari said that if a particular weaver is a non-working member of a cooperative, then the other weavers should identify that bogus member and weed him out. This bogus membership is a major problem. There are bogus societies getting schemes, programmes and money. How to get out of the problem?

Prof K Srinivasulu moderated the discussion and said that a) there could be bogus membership in cooperatives and b) there could be totally bogus societies. Why the members who are local weavers could not check these bogus members and societies? What is the role and stand of the representatives of weavers in different political parties?

Sri Ande Narasimha Rao of CPI said that from top to bottom there is a system of distribution of spoils in the cooperative sector. Therefore nobody listens to any complaint by ordinary weavers.

Prof K Srinivasulu summarized the discussion by saying that the cooperatives of weavers are terribly misused by people who are not weavers, they may belong to weaver caste but they are not worker-weavers. Secondly, power loom owners are floating bogus weavers cooperatives and misusing the schemes meant for handloom weavers. In the whole drama there is a closing-up of ranks between power loom members, officials, master weavers, politicians, brokers and so on. Second important thing is that there has not been any sustained response from the government to the crisis in weaving sector. The response has been contingent and ad hoc and localized. Thirdly, there is rampant corruption in the cooperative sector in which the cooperative elite and officials are hand in glove. The crisis in cooperative weaving sector is deep rooted and has accumulated over a period of time.

Sri Mohan Rao responded in detail by saying that in order to understand bogus cooperatives we have to understand the 1964 Act and its systematic flaws. Even though there are bogus members, and the official members are corrupt, and so on some money still reaches the tail end. So, no body, not even the tail end weaver, says that there is no benefit from the cooperatives and cooperative schemes. He raised the question of Cooperative Central Banks and District Cooperative Central Banks and the question of working capital. The internal dynamics of cooperatives are such that owing to limited working capital, ordinary weavers shift to master weaver sector and these cooperative elite manage the schemes to their benefit. There is corruption in cooperatives but ordinary weaver too gets something minus the percentages to cooperatives elite and officials. He gave the example of cooperative societies in Chittor where because of the struggles against corruption some co-operative societies were abolished. He said that now he repents for that. Because of the struggle, those weavers' (whose cooperatives are abolished) have foregone all those benefits that other cooperatives are getting.

Sri Koratala Satyanarayana of CPI (M) said that due to the absence of working capital weavers are suffering. He identified three reasons for the crisis in cooperative sector, that are: 1. Lack of working capital; 2. Inability to sell the finished cloth; 3. Lack of proper procurement of cloth and consequent fall into debt trap.

According to Sri Koratala Satyanarayana, the officials and departmental officials have killed the cooperative movement. For the decline of cooperative movement official policies are also responsible.

Prof K Srinivasulu asked Sri Koratala Satyanarayana as to what the role of the weaver's movement is. Cooperatives are a product of cooperative movement. Therefore what is the role of the cooperative movement in checking the decline in the handloom cooperatives? If agricultural cooperatives, consumer cooperatives been relatively successful, why weavers' cooperatives are not?

Sri Koratala Satyanarayana answered by saying that all cooperatives are in a bad shape and they are ruined by official policies and the attitudes of the officials. He said this applies to agricultural cooperatives, sugar cooperatives and every other cooperative.

Sri Mohan Rao intervened and asked whether there is any other cooperative in the economy, which provides employment and livelihood to so many people – so large a number of people – with so little an investment - except the handlooms? Why do not then governments support cooperatives in handloom sector?

Sri Koratala Satyanarayana raised the 'One-time settlement' issue and asked why the option of one-time settlement could not be extended to the weavers?

Broadening the debate, Prof K Srinivasulu enquired Sri Debroy from the NABARD as to why the NABARD provide sufficient working capital to the handloom cooperatives? Secondly, why doesn't the APCO pay the money to cooperatives for the cloth procured from them in time so that the primary cooperatives do not accumulate debt interests on their working capital? Thirdly, there have been successive interest subsidies to different sectors why the same not be extended to the handloom sector? Fourthly, why the one-time settlement option is not given to handloom sector while it is given to other sectors?

Sri Debroy from the NABARD answered by saying that the major question is about how to improve the financial health of the primary weavers cooperatives. The APCO has to provide marketing support to cooperative societies (like Tantuja in West Bengal) and also the APCO should provide marketing.

Sri Mohan Rao suggested that the DCCBs are in losses because of the failure of petty businesses and not because of weaver cooperatives. In the case of the weaver cooperatives, why not the NABARD inspectors and officials monitor them and see to it that they do not default?

Prof Eswaraiiah asked as to what are the exact responsibilities of the state. Is it not possible to make cooperatives responsible and accountable? He said he wanted to know whether

there is, in the context of globalization, a need for accountability. What is the role of state and central governments and is there a need to make policy processes decentralized? In this context Prof Eswaraiiah asked are there elections to primary cooperatives? Is there a need to reform cooperatives in the way that Panchayati Raj reforms are made?

The NABARD representative said that cooperatives are essentially a state subject and every state in the Indian Union has its own cooperative Act. So the revival of the cooperatives is to be done by the state government.

At this point, Prof K Srinivasulu asked whether there are any examples of successful cooperatives in Andhra Pradesh? Replying to this question, Sri Durgam Subba Rao said that there are cooperatives, which are successful and are working well. He gave the examples of cooperative societies of Polavaram and Pedana. According to him the weavers in these successful cooperatives feel that the interventions of the APCO and NABARD hinder their work rather than help them to improve. What they demand instead is a separate financial institution for handlooms.

Session closed with a brief discussion on the above matters.

Session III

Theme: Handloom sector and Marketing

Chair : Dr Md Noor Basha

Dr Noor Basha initiated the discussion by posing the following questions: firstly, he sought the opinion of the participants on the handloom reservation issue and asked how long and on what grounds the handlooms should be protected? Secondly, can there be a new system of reservations, wherein instead of products being reserved bulk buyers like railways, police, defense services could be reserved for the handlooms. Thirdly, how should the APCO be viewed? If the APCO should be restructured, on what basis and on what lines? Should the existing rebate facility to the handloom products be continued? Finally, how should we view the relationship between the handloom and powerloom sectors? Are they, in terms of their production, mutually exclusive or independent of each other?

The discussion initially focussed on the relationship between powerlooms and handlooms. Sri Mohan Rao said that there is no antagonistic relationship between powerlooms and handlooms. Sri Shanta Rao said that there is crisis also in power loom sector and powerloom weavers are also now producing the handloom cloth and this is leading to the competition between handlooms and powerlooms.

Prof K Srinivasulu strongly disagreed with the above view and argued that the official committees such as Shivaraman Committee (1974) and other scholarly studies have shown that there is a competitive and contradictory relationship between the different sectors of the textile industry. It is clear that growth in one sector has an adverse impact on the other sectors. Prof K Srinivasulu said that the decline in handloom sector is historically related to, the growth of power loom sector. Much like the handloom sector, power loom sector is also a diversified sector. Sircilla powerlooms are old and in terms of technology are of 1960s vintage. In major powerloom centers like Surat and Bhivandi we find advanced jet looms.

Satyam Committee clearly says that much as in handloom sector there are also inefficient loomage in power loom sector. And these inefficient powerlooms are not supposed to exist any longer. The committee suggested that a section of unproductive handloom weavers be sent to jet looms; so also the low end power loom weavers. And as for the rest of the weavers are concerned the committee does not have any clarity. Prof K Srinivasulu said that the official policy sees room for existence only for the high end, capital intensive powerlooms. Prof K Srinivasulu said that there is a contradictory relationship between powerlooms and handlooms and we should discuss this matter keeping the above facts in view.

Sri Koratala Satyanarayana agreed with Prof Srinivasulu and said that of the three textile sectors the most down trodden one is the handloom sector. It is not possible to safeguard the interests of handloom sector without imposing restrictions on other two sectors. Government policy is biased towards exports and internationalization. In this context, they have invested Rs.25,000 crores for technology modernization over a period of five years. Who is gaining from this? It is the big textile barons who are benefiting from this and that's why he says the three sectors should be demarcated separately and be differentiated. Special protection and subsidies to handlooms are inevitable requirements. Koratala said that every social section is demanding reservation for protection of its interests. So should the handloom sector. Let there be international competition but let there also be reservation for handlooms. Further, special marketing strategies for handloom cloth too are required.

At this point, Dr Noor Basha asked as to what is the way out of this competition between handlooms and powerlooms. He said the question is an old one. Dr Noor Basha said that instead of reserving 11 items for handloom cloth the government should reserve whole departments, such as army, police and railways. These departments should have policy for using the handloom cloth. Sri Koratala Satyanarayana opined that handlooms can not produce cloth necessary for army, railways, police, etc., the government should reserve different departments according to the appropriate cloth produced by each sector.

Sri Ande Narasimha Rao said that the 11 varieties have been reserved for handlooms after a lot of discussion. Earlier it was 22 items. Since there is no guarantee that the powerlooms will not dominate even in these eleven items the government should take steps to prevent powerlooms from producing cloth reserved for handlooms.

Sri KJ Rama Rao said that the government orders regarding purchase of handloom cloth have been flouted. There are instances where the mill owners and government officials hand-in-glove have flouted the GOs. We should ensure that the GOs are implemented properly.

Sri Shanta Rao said that the handlooms can wait for the payment by the APCO, but the production of handloom cloth on powerlooms should be stopped. That is the main demand.

Dr Noor Basha said that mill sector and powerlooms have their Research and Development sections and market survey facilities to gauge the consumer tastes from time to time. Whereas the handloom sector does not have any such thing. It is the responsibility of the APCO to provide guidance and direction in this regard. The APCO too has failed in providing this information to the handloom sector. Even though there is demand for handloom cloth there is lack of adaptability in the handloom sector to the changing fashions

in the market. Marketing cloth according to the changing fashions and consumer preferences is very important.

Sri Koratala said that the government should develop R&D for handlooms and it is not difficult to do so. The problem in the competition between different sectors is the differential and un-equal cost of production. The Government should see the importance of the handloom sector from the point of view of employment potential. He said that handloom sector also has certain resilience to market and other conditions, therefore no force can destroy the sector completely. Handlooms have withstood vicissitudes of time. The number involved in handlooms may go down, but the sector itself wouldn't disappear and therefore given the persistence of the sector, the government should formulate its policies. He said that handloom cloth should be provided rebate. It should be provided market assistance. Protective discrimination is the social responsibility of the government.

Dr Sarangapani said that every power loom replaces six handlooms and there is a contradiction of interests between the two. If powerlooms and mills expand, handlooms suffer. We have to see the structure of industry in this regard. The structure of the industry is such that the cooperatives in handloom sector have failed. But in spite of that the volume of production of handloom cloth has not declined. The reason for this is the private sector within the handloom sector. The adaptability of the private sector within handlooms, its marketing techniques and capacity have to be taken seriously. Without that it is not possible to discuss marketing. We should not confine ourselves only to discussing the cooperative sector. We may not like master weaving activity, we may not like the shed form of weaving work. The master-weaver may also exploit the weaver-workers. But if today, there are great handloom centers, it is because of the private sector. When the government is encouraging private sector everywhere, it should also encourage private master-weaver sector in handlooms. And he said, as an economist he appreciates the enterprising nature of the master-weavers because of whom the sector is surviving. If there is exploitation in it then regulate it and provide minimum wages in handloom sector. In this context, he discussed income elasticity of demand and price elasticity of demand. He said that these two fundamental economic concepts are needed to understand the market situation of the handloom sector.

Dr Sarangapani said that the income elasticity for handloom cloth in domestic market is such that initially when income increases the demand for handloom cloth comes down; but when increase in income crosses a threshold then again the demand for handloom cloth increases. Studies show this clearly; these studies are done by textile commission and private market research centers. Second factor is the price elasticity of demand for handloom cloth. For handloom cloth the price elasticity of demand is very high. Even a

slight increase in the price of handloom cloth leads to decline in its demand. Marketing of cloth needs to consider both income elasticity of demand and price elasticity of demand. Then he spoke about handloom exports and said that for this we have to consider the environmental and social clauses put forth by developed nations. Child labour is part of handlooms and we should think of it. And we should pressurize the government to promote a brand namely, 'Hand made in India'. Till now handloom cloth is being sold without the brand of 'Hand made in India' and therefore handloom cloth has been selling cheap. Anything that is not branded sells cheap, brand fetches higher price and attracts market. Positive brand creation alone helps getting export market. We should ask the government to create and promote 'Hand made in India' positive brand in order to promote exports. This brand promotion should be a policy of the government.

Dr Sarangapani said that another important aspect is the dissemination of information to weavers about markets. This is the information as to where the potential for handloom products is, to what kind of cloth, at what time, etc. All this information should be provided to handloom sector in order to make it market-viable and competitive. There should be mechanisms for dissemination of market information among weavers and we should demand the government to provide such mechanisms.

Dr Noor Basha said that it is not the cooperative sector weavers who agitated for handloom demands, it is the weaver-workers under master weavers who always agitated. 70 percent of the weavers are under master weaver system. To this Prof K Srinivasulu commented that while the weavers are under master weavers, their leaders are for the cooperative sector. Dr Noor Basha said that cooperative sector weavers play only small role in the weavers' movements.

Sri Durgam Subba Rao said that the issues raised by Dr Sarangapani have been in discussion for a long time and earlier Sri Pragada Kotaiah raised some of these issues. He asked why the government does not provide financial assistance and promote private enterprise in handloom sector while it encourages private enterprise in all other sectors. This according to Subba Rao is an important question. He felt that for the past 40 to 50 years the state has promoted powerlooms deliberately to destroy handloom industry. He also felt that today it is women, rather than men, who are patronizing handloom cloth. If today some centres of handloom production are flourishing it is because of women in Indian society. He felt that there is a lot of demand for handloom cloth abroad and organizations such as the APCO should channelize this; but unfortunately the APCO has failed in this respect.

Sri Subba Rao also pointed out the necessity to consider the question of patents to certain varieties of handlooms. Given the copying and plagiarism of handloom designs by powerlooms and mills, there is a necessity of providing patent rights to handloom weavers

particularly on designs and quality. He also said that the question of handlooms is also a question of indigenous technology, knowledge system and cultural specificity. He said Pragada Kotaiah raised some of these questions earlier. He affirmed that there is still future for handlooms. He quoted two documents in this connection: “Wither handlooms” and “Importance of Handlooms”, both by Sri Pragada Kotaiah.

Sri Mohan Rao said that all the suicides that have taken place involved weavers under master weavers only. If master-weavers could provide all the facilities and amenities why did the suicides take place? He felt that the handloom industry has to be viewed as a whole and the issues of the sector be discussed. In this context the crisis can be understood only by seeing cooperative sector as a solution.

Dr Noor Basha intervened and asked as to how to strengthen and streamline the APCO and thereby the primary cooperatives.

Sri Mohan Rao said that the APCO has no cash credit facility now. Earlier the government gave credit guarantee for 135 crores to the APCO because of its political will. Now this political will has declined and consequently the government does not give even 50 crores of cash credit facility. But, of course, the APCO and primary weavers’ cooperatives now have fixed assets running into hundreds of crores of rupees and the government is giving credit only in proportion to these assets. The point is that government gives credit to many private banks but not to weavers’ cooperatives. There is class-orientation of the state which is coming into play. That is what explains why state does not support handloom sector even when weavers commit suicides. The malaise is deep. Mohan Rao also raised the child labour issue but said that stopping involvement of children deprives them of their livelihoods. A child learns weaving while she works, and at the same time earns livelihood. If you stop them from working they can neither study nor can they live. He said that these issues need to be discussed in depth.

Dr Sarangapani responded by saying that international trade involves environmental and social clauses, such as child labour, and we should be sufficiently prepared to deal with these when we prepare ourselves for marketing of handloom products internationally. These are non-financial trade barriers. And he said that we have to take the class perspective of governments for granted and then see what can be done to get around it. Only focusing on class perspective does not lead to solutions and exploration of gaps within policies.

Dr Noor Basha said that political consciousness of the weavers is important to get over this. Dr Sarangapani replied that weavers have lot of political consciousness and rather probably more than, what is required. What we have to do is to be prepared to deal with the

social clauses in global trade, when we go for it. Weavers cannot document and deal with these on their own. We have to do it for them.

Dr Noor Basha however stuck to his position and said that the last and ultimate solution for these has to be political solution only. These social clauses in international trade are political and political solutions are ultimate solutions. Dr Noor Basha continued to say that for the present crisis in handloom sector cooperatives are the answer, therefore, the role of the APCO is going to be crucial. In that context, the question is how to make the APCO a competent and efficient body. How to make it a professional body with strong management skills? How to streamline the APCO for better health and management of cooperatives?

Sri Mohan Rao said that the APCO is a business organization and we need a handloom weavers' welfare board. We need this board to look after the managerial and marketing needs of the weavers. If the APCO's failure is also one of the causes of the present crisis; then can the APCO can be a solution. Probably we need a weavers' welfare board to take care of their needs.

Sri Anand Bhaskar, of the Congress party, suggested that the workshop should come out with recommendations which can be taken up by the government. He said that the committee, headed by the Hon'ble Minister Sri K Rosaiah, is looking into the matter and the Workshop should submit its recommendations to him. Further, he said that the government is going to come out with a handloom policy and recommendations of the workshop will be valuable in formulating that policy.

Session IV

Theme: Weavers' Welfare Policies in Handloom Sector

Chair : Prof Rajen Harshe

Prof Rajen Harshe said that it is a honor and a matter of pride for him to chair the session. He said two things; one, the sessions are sequenced very well, and the magnitude and gravity of the crisis has come out very well. Secondly, when economies are in transition occupations, professions and industries such as that of artisans are taken over by new trades, professions and occupations. It is difficult to manage this transition. And he asked should not the state become responsible to manage this crisis and transition where so many people have lost their employment and livelihoods. And also that their plight is reflected in the sector's crisis. How to provide welfare and alternative employment facilities? How to go about advocacy and lobbying on behalf of these marginalized sectors and sections of people? He said this has to be done without 'charge sheeting' anybody and the question in this context is how to provide constructive solutions to this problem. This should be done through collective resolutions so that social harmony prevails and is enhanced. With these opening remarks Prof Harshe invited discussion.

Sri Shanta Rao suggested that the Janata Cloth Scheme should be revived. He said clothing comes next only to food security. He said owing to lack of proper clothing a large number of people die in winter as well as summer seasons. He said in the previous summer 1100 people, predominantly tribals, died owing to the lack of proper clothing. They bought cheap second hand polyester clothes in local sandy and after wearing them, owing to heat waves died. In this context he also cited the death of 22 women in a stampede in Lucknow which happened during the free saree distribution (on the eve of previous Prime Minister's birth day; Lucknow was his parliamentary constituency). Sri Shanta Rao also said that the per capita cloth consumption is going down in below poverty line families and it is not even 5 metres now. We have a tradition of using eco-friendly cotton cloth but most of the BPL families, are unable to afford clothing. In this context Janata Vastra Scheme can provide clothing security to poor people. That is how the scheme was conceived and it worked well. He said that the Janata Vastra Scheme also helped the weavers by providing employment and it is unfortunate that the government scrapped the scheme. He said that the recent announcements by the CM that the Government will revive the Janata Vastra Scheme should be welcome and that the Workshop should strongly plead for the policy of revival of this scheme. Secondly, he said that the government schemes are benefiting only those weavers who are in the cooperative sector and not benefiting those who are out side the cooperative sector. He gave the example of pension scheme.

Sri Shanta Rao said that the government schemes such as Annapurna and Antyodaya should also be applied to weavers. He said that many of the shed-weavers are starving and their situation is very grave. In order to save these people, he said, we should provide them with identity cards; and Annapurna and Antyodaya schemes should be made applicable to them under special package.

According to Sri Shanta Rao, the thrift and insurance schemes in the cooperative sector are also not working; the ex-gratia for accident deaths is only Rs.5,000/-. Therefore these welfare measures are meaningless. He felt that the present welfare measures do not meet the needs of the starving weavers. He demanded the following provisions: 1. Identity cards; 2. Annapurna & Antyodaya Schemes; 3. Healthcare; 4. Insurance; 5. Pension facility; 6. Special ration cards; 7. Measures to curb malnutrition.

Sri Shanta Rao said these measures are needed particularly because a majority of weavers are below the poverty line. He also stressed more importantly on 1. Janata Vastra Scheme; 2. Food security.

Sri Mohan Rao speaking in this context said that the insurance scheme is not applicable to all but only to a certain section of weavers. Now the 'Bunakar Bima Yojana Scheme' should be extended to all even by increasing premium. The second aspect is the health care, the specific occupational diseases such as eye-sight problems, knee problems, T.B. need consistent support depending on specific requirements. The current support is not enough. In this context, he mentioned the 'Sahib Singh Varma's Report' on the unorganized sector and said that its recommendations must be made applicable to weavers as well. He also mentioned that ESI should also be made applicable to weavers. The handloom sector is not an organized industry and it should be seen as an unorganized, informal sector and the welfare policies meant for unorganized sector should be made available to handloom sector. These involve, 1. ESI; 2. Gratuity; 3. Pension; 4. Insurance.

Sri Mohan Rao also mentioned about housing scheme and said that the housing scheme meant for handloom sector should be appropriate to them. The size of house provided for should be such that a weaver can accommodate all his working equipment. More specifically the house building amount should be raised to 1 lakh rupees with 50 per cent subsidy. He also emphasized the need for Janata Vastra Scheme and said the scheme has many indirect benefits. He said this scheme not only helps weavers but also helps other below poverty line people. The Janata Vastra Scheme helps skill development among new weavers, helps old age weavers, and also helps agricultural labourers.

Sri Mohan Rao said that in order to coordinate all the development schemes we need a 'Handloom Weavers' Welfare and Development Board', so that they can be implemented

efficiently. The Board should also monitor all the welfare programmes and should be manned by an experienced officer (preferably an IAS) from rural development department.

Prof K Srinivasulu said that the problem with the above schemes is that they are implemented with a view that handloom sector, keeping particularly the cooperative sector in view, is an organized sector. In reality a majority of weavers are outside the cooperative fold. The sector therefore should be treated as an unorganized and informal sector. Weavers under master weaver sector also be covered under welfare schemes.

Prof K Srinivasulu said that over the past couple of decades there have been massive shifts in handloom sector. Firstly, as a natural response to the crisis, many young people from weaving community have been leaving the sector. Secondly, there has been a shift of weavers from the dispersed locations towards certain handloom clusters. In the last 30 years this process in fact made weavers' into non-members in the native cooperatives and subjected them to bad working conditions in sheds in weaving clusters.

Sri Mohan Rao responded to this discussion by saying that there are places where there are no cooperatives and also no master weavers. Srikakulam district is one such place where there is a high prevalence of independent weaving. He also gave examples from Vijayanagaram, Cuddapah and Guntur districts. In this context and in such places, he suggested that there should be procurement centers to purchase and market the cloth. Organizing these weavers can be thought of later.

Sri Ande Narasimha Rao emphasized the need for allocation of more money for housing scheme. Right now a weaver gets around 30,000 to 40,000 rupees with 50 percent subsidy in housing loan. Since this is insufficient, weaver borrows money from private lenders. As debt accumulates he eventually loses the house and house plot. Therefore the amount for housing should be increased. Secondly, the insurance scheme is now applicable only to a limited number of weavers. This should be made applicable to all. Thirdly, many weavers cannot pay the premium amount and thereby forego the insurance facility. Therefore, there is necessary to implement free insurance scheme to weavers.

Dr Sarangapani said that he has a different point of view regarding the Janata Cloth Scheme. He said that initially Janata Cloth production was supposed to be done by cloth mills. As mills complained about losses in Janata Cloth production, government scaled down the Janata cloth obligation. In 1985 textile policy the government transferred the responsibility of producing Janata cloth to the handloom sector. The whole problem with the Janata cloth scheme is that the consumer gets more benefit than the producing weaver. The wages of weaver are much lower than the rebate that consumer gets. The second problem is that wages in the handloom sector are a function of the counts of yarn used. In the case of

Janata cloth they use coarser varieties of yarn. Therefore wages are bound to be lower. On the whole Janata cloth has an adverse impact on the skill patterns of the weavers. In Dr Sarangapani's perspective, Janata cloth scheme should not be revived and the weavers should not demand revival because: 1) it leads to lower wages; 2) to the loss of skills implicit in higher count weaving. Therefore, Janata scheme does more harm to weavers than benefit.

Sri Karnati Dhananjaya said that those weavers who do not have much skill and those who are aged, can benefit from the scheme. He said 20 percent rebate on Janata cloth should also be implemented. In his presentation he demanded ex-gratia to the families of weavers who committed suicides and he also demanded 'Bunkar Yojana' or insurance scheme for weavers in such a way that it is applicable to all weavers. He said every weaver should get free power to two bulbs in his house.

Sri Mohan Rao argued that the Janata cloth scheme is beneficial to weavers. He gave technical reasons for the benefit. He felt that Janata cloth could be produced in different varieties and with different counts of yarn and sold at different prices. Therefore, there need not be a blanket conclusion that Janata cloth is unsupportive to weavers. The problem according to Mohan Rao is more with the duplicate sarees and cloth.

Prof K Srinivasulu said that the Janata cloth scheme worked well initially. It was diluted sometime later, much like the Rs.2/- a kilo rice scheme was diluted in the later period. He said that if there can be strong monitoring by handloom organizations then the Janata cloth scheme can become a good, useful scheme.

A weavers' representative from Rayalaseema suggested the following: 1. Ashram schools for the children of weaving families; 2. A hospital to be established wherever there is a cluster of handlooms; 3. Weavers should be provided storage facility.

Sri KJ Rama Rao suggested that instead of asking for separate hospitals we should try and see to it that the existing government hospitals work well, and are equipped with medicines, staff and other facilities. He said that we should also be careful about what we are asking, we can't ask for ESI facility and special hospitals at the same time. He said we should demand for monitoring of occupation related diseases and ask for medicines and proper budget allocation to treat such diseases.

Sri Bhoga Ramulu from Bhoodan Pochampally said that the government introduced a group insurance scheme in 1985 with Rs.40/- as premium. The premium was collected but those who reached the maturity period (60 years of age according to the policy) did not get the insurance money. Insurance policies are defective. Therefore there should be a free insurance scheme. He also spoke about housing scheme and said that the houses do not

meet the occupational needs of the weavers. The amount given for housing and the subsidy component too, is inadequate. Housing amount should be increased to one lakh rupees with 50 per cent subsidy. Bhoga Ramulu said that the Janata cloth scheme should also be revised. He also spoke about health programmes meant for weavers' and said that these are limited only to eye camps. In Nalgonda, the flurosis problem is totally ignored. People in Nalgonda spend more money purchasing water than they spend purchasing milk. Therefore, the health programmes should be broad-based. There should be an integrated health scheme or package to address all health problems. Sri Mohan Rao said that even from the health point of view weavers will be much better if they weave Janata cloth than any other variety of cloth.

Prof Easwaraiiah addressed the question of maximization of welfare through cooperativization. He mentioned provident fund and other schemes like the New Employment Pension Scheme and suggested the need to look into their relevance to the handloom weavers.

Session V

Theme: Policy Spaces for the vulnerable sections in the context of liberalization

Chair : Dr Sarangapani

Prof K Srinivasulu said that in this session we bring back the questions of state capacity and the spaces within the policy processes to the marginalized. Prof K Srinivasulu invited Dr Sarangapani to chair the session.

Dr Sarangapani said that thanks should be given to the GAPS project for bringing people together to discuss the issues related to handloom sector. He said discussions such as these are the lifeblood of democracy and lead to constructive solution to the problems of democracy. He said that capacity of the state towards such sectors such as handloom sector is important and said, if so, we should discuss how and wherefore.

Prof K Srinivasulu further elaborating on the issue said that in states such as Andhra Pradesh where there is a strong left movement, there is an active debate on the capacity of the state vis-à-vis marginalized in the context of liberalization and globalization. Many in this debate think that in the context of liberalization and globalization state withdraws from its welfare functions and expects people to fend for themselves.

The central question is what is the place of the concerns of the marginalized in the overall policy shift. Does the state listen to the voices of the marginalized? If not, how to make state, how to pressurize state, to incorporate the concerns of the marginalized in its policy making process.

Participating in the discussion Sri Koratala Saytanarayana said that the reforms have devastated the countryside. Now that the new government in AP intends to do something in this context, we have to consolidate the findings of our discussions and present them to the Chief Minister. We have to give representation to the CM with a summary and main points that emerge out of today's workshop.

Dr Noor Basha said that in the context of liberalization and privatization we have to question whether the state is at all interested in rescuing the handloom sector from its present crisis. It is not the state or central governments which are formulating privatization and liberalization policies. These governments are only accepting the economic policies recommended by the World Bank and the WTO and are implementing them. From 1991 onwards these policies are happening. Downsizing of the welfare state vis-à-vis marginalized is inherent policy in this context. The state has to downsize its welfare functions; since protecting unorganized sector can not help much in promoting export growth, and since

export-led growth is everything in this global economy, it is not possible for the state to rejuvenate the unorganized sector. Dr Noor Basha felt that the same applies to handloom sector.

In this context we need reservations and rebates, protection and marketing assistance; but these will not come through petitioning and memoranda. Agitation is the only way to achieve them. It is the situation that, according to Dr Noor Basha, the roots of the present system trace their origins as far as America and have not originated in Andhra or India. According to him history before 1991 is different and the present history, since 1991 is different.

Sri Mohan Rao picked up the threads of debate and said that struggling along with other movements unitedly for the demands is the only solution. But as Sri Koratala Satyanarayana said we have to present a memorandum to the government at first as a warning. Then we have to resort to a united struggle with other movements.

Sri Karnati Dhananjaya said that handlooms is an art. When the government is protecting the jewellery of the Nizam with crores of rupees of expenditure, then there is no reason why we should not protect the handloom artisans. Shanta Rao said that handlooms is also on the political agenda. The governments at the Center and in the State formed after the recent elections are talking about reviving agriculture and rural development and so on. He said that irrespective of the party in power the protection of the marginalized sections is possible only through strong movements. Globalization and liberalization tend to break down the unity of people. Therefore we need strong, long-standing, united movements that voice the concerns of the marginalized in general and handloom sector in particular.

Sri Rama Rao said that after the recent elections the change in the attitudes of the government is visible. The new government at the State level is also talking of high tech, reforms and so on. It appears that the new government in Andhra Pradesh also intends to speed up the globalization process. We, however, can recommend to the government that some of the marginalized sections need support and subsidies. However we should not be under any illusion that the governments have powers and capacities with them. Nevertheless, we should try by all possible means to pressurize the government to provide welfare to the marginalized.

Dr Ramulu suggested that a separate handloom weavers' welfare board be demanded at the central level and state level. It is necessary for the issues and problems of the weavers not to be clubbed with other communities and need to be addressed separately. This is an urgent issue; for the crisis in this handloom industry during the last couple of decades has destabilized the weaver community throughout the country.

Sri Ande Narasimha Rao said that the first sections to suffer because of reforms are those in agriculture and handlooms. The new government may perhaps listen to handloom weavers. We have to document the suggestions made today and recommend them to the government. Official rhetoric outshines its practice. The need of the hour is to build united movements. We have got clarity from these discussions and now we have to take these discussions as a pointer towards future course of action.

Sri Ashok said that the government has been meeting representatives of the handloom sector. But the weavers' organizations are not united and until and unless the weavers organizations are united they can not achieve anything.

Sri R P Debroy from the NABARD said that the handlooms could attain national and international markets. The market has become increasingly competitive therefore handlooms have to face this competition. We need liberalization with a human face. This workshop covered all the aspects of handloom sector and probably will help government in arriving at some supportive decisions.

Prof Rajen Harshe said that thanks to the workshop he has become more sensitive to the plight of handloom weavers. He said that human face of reforms is an important aspect. He also asserted that liberalization and reform are compulsory in India and they can not be avoided. How well we negotiate with globalization is the question. He said while some talented can be protected, some need to be weeded out as well; and we should also accept the latter with grace. We can not be averse to change.

Dr Sarangapani said that 1985 is the watershed for textile policy. Till 1985, it was the question of maximizing employment to the people in the sector. After 1985, the focus is on exports, productivity and efficiency. In export orientation the stress is on technological upgradation. In 1985 itself the government chose mill sector for the above purpose. According to him, we have not yet seen the full repercussions of the reforms. We will see the full effects of liberalization in the coming four to five years. We are presently under nationally formulated policies. We will be exposed to globalization soon. He felt that we are still protected right now.

What can the state do in this context? He said that the state can regulate, but what we see is a failure of regulatory aspect of the state. The state regulates economy and society where it concerns the rulers. Where it does not, the state does not bother. Regulatory failure of the state is obvious in all sectors. We have to remind the rulers that it is the business of the state, according to the constitution, to carry out the regulatory function; even if the state withdraws from economic activity. Only the state can regulate, society does not have that authority.

Dr Sarangapani secondly noted that whether or not there is capacity to the state, there should be political will to implement welfare policies. Therefore, political pressure and lobbying is needed. A united political lobbying and pressurizing of the state is needed.

Thirdly, he noted that it is obvious from the discussions in this Workshop that delivery of welfare mechanisms is poor in India. He observed that even if there are hundred schemes for the welfare of the weavers still there is no proper welfare because of the failure of the delivery mechanisms.

Dr Sarangapani said that Prof K Srinivasulu should summarize the proceedings, consider the ideas that emerged during the workshop in depth and prepare relevant policy prescriptions to the government.

Dr Anil Kumar gave vote of thanks to all and requested them to stay on to watch video bulletin titled “Prajā Nadi: Gadwal Weavers” produced by TV9 channel.

With this the workshop came to a close.

APPENDIX

Policy Suggestions/Recommendations

The following are the suggestions/recommendations arrived at through the deliberations in the workshop.

I. Yarn availability and other inputs:

Cotton yarn is the major input for the handloom weaving. During the last decade and half there has been a rise in the prices of yarn. The reasons are the decline and closure of the cooperative spinning mills in the State and the violation of the Hank Yarn Obligation by the composite mills to produce 50 percent of their total yarn production in hank form. The export liberalization has further complicated the issue as it paved the way for yarn exports regardless of the domestic requirements leading to the scarcity of yarn and its price hike.

In view of the above situation, it is suggested that:

1. The government should initiate steps and mechanism to regulate the hank yarn prices in the market;
2. The handloom industry is a diversified and variegated industry. The yarn requirement in different regions differs in terms of the count, quality and time. Therefore it is necessary that a supply mechanism is created so that right counts of yarn, in required quality, is available at right place and in time;
3. The decentralized spinning mills are the best solution to this problem. Therefore the old ones have to be revived and the new ones must be opened in the proximity of major handloom centers;
4. Steps must be initiated for the proper implementation of the Hank Yarn Obligation.

II. Handloom cooperatives and emerging issues:

The reasons for the crisis and collapse of the handloom cooperatives in a number of places are quite complex. Corruption and negligence of the officials, political interference, rise of bogus membership and bogus societies, systematic undermining of the APCO through negligence, excessive intervention and the decline and even denial of cash credit facility to the APCO. Are the factors that have affected the health of the Primary Weaver Cooperative Societies.

In spite the crisis in the cooperatives, they could, through proper intervention, be revived and the handloom weavers position could be strengthened.

For this purpose, the following steps have to be initiated:

1. Strengthening of the APCO by giving it proper autonomy and the required cash credit facility;
2. Providing NABARD loans at reasonable interest rates to the primary cooperatives by pruning the number of intermediaries and providing required working capital in time;
3. Procurement and repayment mechanism should be strengthened as the delay on account of them are two important reasons for the ill health of the primary cooperatives.

III. Marketing and the Handloom sector:

The major problem facing the handloom sector relates to the lack of proper marketing strategy by the governments at the center and in the States. This is in spite of the well-noted demand for handloom products in the domestic and international markets. Since the handloom weaver societies and even the master-weavers are not equipped to tap these markets the government must step in and create a Research and Development mechanism to monitor, collect and make information available to the weavers and evolve special marketing strategies for handloom cloth.

Thus,

1. Create R&D and market survey facilities to gauge the consumer taste from time to time;
2. The brand of 'Hand made in India' be created to promote export of handloom cloth;
3. A policy to use handloom cloth in certain government departments like schools, RTC, police, and railways and government-recognized schools be made and enforced.

IV. Weaver Welfare Policies:

Most of the welfare measures meant for the weavers are applicable only to those working in the cooperative fold. But during the last couple of decades, due to the crisis in and closure of the handloom cooperatives and the migration of rural weavers to the handloom production centers, there has been a phenomenal growth of the number of weavers in the master weaver segment. These weavers, displaced and vulnerable, need state support in

the form of welfare measures. Therefore, the following schemes must be extended to the weaver-workers in the master weaver segment along with those in the cooperative fold.

1. Janata cloth scheme should be revived to create employment for the handloom weavers as this scheme, besides providing employment to weavers, assures clothing security to the poor;
2. Weavers suffer from occupation related health problems and these problems become severe and acute as they become aged, therefore proper health care facilities must be made accessible to them through ESI and health insurance package;
3. Insurance scheme must be made applicable to all weavers;
4. Pension facility must be extended and implemented effectively;
5. Special ration cards must be issued to the weavers to curb malnutrition among the weavers and their children;
6. The loan amount to the Weaver Housing scheme should be increased to one lakh rupees with 50 percent subsidy component.

Other Papers in GAPS Series

No. Working Paper

1. 'Political Articulation and Policy Discourse in the 2004 Election in Andhra Pradesh' by K Srinivasulu, August 2004.
2. 'Policy Change and Food Assurance: About Rice on Credit and NGO-Government Partnerships in Andhra Pradesh' by Jos Mooij and K S Gopal, August 2004.

The above papers are also available in .pdf format at the following address:

<http://www.cess.ac.in/cesshome/wp/GAPsWP-1.pdf>

<http://www.cess.ac.in/cesshome/wp/GAPsWP-2.pdf>