REPORT
OF THE
WORKING GROUP ON BANK CREDIT TO
STATE HANDLOOM DEVELOPMENT CORPORATIONS

RESERVE BANK OF INDIA
RURAL PLANNING AND CREDIT DEPARTMENT
CENTRAL OFFICE
BOMBAY 400 023

1986

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CONTENTS

CHAPTER I

INTRODUCTORY

Genesis of the Working Group

A view was expressed in the meeting of the Managing Directors of State Handloom Development Corporations (SHDCs) and the Directors of Handlooms convened by the Development Commissioner for Handlooms, Government of India in January 1984 that a credit scheme similar to that available to the handloom industry in the co-operative sector should be formulated for handlooms served by the SHDCs as the flow of credit from commercial banks was both inadequate and not related to the needs. It was felt that unless this was done the corporations would not increase production and resultantly the amelioration of handloom weavers who constitute a large segment of rural population in many areas would not be possible. Considering the role which the corporations are expected to play in the 7th Five Year Plan period in terms of production of handloom cloth, the Government of India requested the Reserve Bank of India to consider the appointment of a small group to examine the operational problems of SHDCs with special reference to bank credit.

Composition of the Group

1.2 The Reserve Bank of India set up the Working Group in June 1984 to study the working of SHDCs and ascertain their credit needs from the banking system for assisting handloom weavers outside the cooperative fold. The composition of the Working Group is as follows:

Chairman

1. Shri R.P. Satpute*
Chief Officer
Rural Planning and Credit Department
Reserve Bank of India
New Central Office Building
(13th Floor)
Bombay 400 023.

Members

2. Shri V.K. Agnihotri+
Additional Development Commissioner for Handlooms
Department of Textiles
Ministry of Commerce
Udyog Bhavan
New Delhi 110 011

3. Miss Ranjana Ray
Deputy Secretary
Ministry of Finance
Department of Economic Affairs
(Banking Division)
"Jeevan Deep"
Parliament Street
New Delhi 110 001

4. Shri A.B. Chakravarty@
Chief Officer
Small Industries & Small Business Banking Department
State Bank of India
Central Office
Madame Cama Road
Bombay 400 021

5. Shri K. Ramanujam@
Deputy General Manager
National Bank for Agriculture and Rural Development
Poonam Chambers
Worli
Bombay 400 018

6. Shri K. Manmohan Shenoi ++
General Manager (Credit)
Syndicate Bank
Head Office
Manipal 576 119
(Karnataka)

7. Shri Ravi Mathur
Managing Director
U.P. State Handloom Corporation Ltd.
"Hathkarghe Bhavan"
G.T. Road
Kanpur 208 005
(Uttar Pradesh)

8. Shri A.K. Saikia @@
Managing Director
North Eastern Handicrafts and Handloom Development Corporation Ltd.
Upper Luchumiere
Shillong 793 001

9. Shri A. Sickandar Batcha
Managing Director
Tamil Nadu Handloom Development Corporation Ltd.
28, South Boag Road
T. Nagar
Madras 600 017

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* Shri R.P. Satpute became the Chairman of the Working Group in August 1984 in place of Dr. M.R. Kotdawala.

+ Presently Shri V.K. Agnihotri is the Development Commissioner for Handlooms, Government of India.

@ Sarvashri K. Ramanujam and A.B. Chakravarty became members of the Working Group in February 1985 and May 1985 in place of Shri K. Satyamoorthy and Shri Harbhajan Singh respectively.

++ Presently Shri Manmohan Shenoi is the Chairman of UCO Bank.

@@ Shri A.K. Saikia handed over charge to Shri J.K. Sanglura in February 1986.

Member Secretary

10. Shri A.L. Narasimhan
Deputy Chief Officer
Rural Planning and Credit Department
Reserve Bank of India
New Central Office Building
(13th Floor)
Bombay 400 023.

Terms of Reference

1.3 The terms of reference of the Working Group were as follows:

i) To examine the measures necessary to strengthen State Handloom Development Corporations so that they may play an effective role in financing handloom weavers.

ii) To study how best the corporations could finance the weavers in clusters, with necessary linkages for supply of yarn and other requirements and efficient marketing of the cloth obtained from handloom weavers.

iii) To make recommendations which are related to and incidental to the above terms of reference.

A copy of the memorandum setting up the Working Group is furnished in Annexure I.

Methodology

1.4 At the inaugural meeting of the Group held on 10 September 1984 at Bombay, Dr. M.V. Hate, then Deputy Governor, Reserve Bank of India indicated that the terms of reference had been made comprehensive to enable the Group to have flexibility. He desired the Group to consider the advantages of State Handloom Development Corporations financing weavers in clusters so as to ensure that management capability of the corporations as also the arrangements for monitoring supply of yarn and supervision over its use were taken care of. He laid special emphasis on marketing of handloom production for ensuring quick turnover. Dr. Hate hoped that the recommendations of the Working Group would result in strengthening the base level arrangements for supply of yarn and marketing of produce and thereby facilitate smooth flow of credit from commercial banks to SHDCs.

1.5 With a view to having a clear picture as to the operational problems faced by SHDCs with special reference to availability of bank credit, the Group decided to issue questionnaires to SHDCs, public sector banks and state governments. The relevant questionnaires were addressed to all 21 SHDCs, 28 public sector banks and 31 state governments and union territory administrations. The replies were received from 21 SHDCs, 28 public sector banks and 10 state governments and union territories.

Field Visits

1.6 In order to supplement the information received in reply to the questionnaires as also to have discussions with the field level functionaries and individual weavers, the Group undertook field visits and held discussions with SHDCs, bankers, state government officials and weavers in Karnataka, Tamil Nadu, West Bengal, North-Eastern Region and Uttar Pradesh. These field visits brought out clearly that despite various efforts made during last 3 decades the condition of most of the weavers continued to be below the poverty line. It was pitiable to see them working on pit looms in most unhygienic conditions for 10 to 12 hours a day to get paltry earnings. The Group therefore felt that though its constitution had come out of the demand for adequate and need based credit for the state handloom development corporations, the credit had to be related to ultimate objective of national policy namely to help the weaker section to acquire assets from which with application of modern technology, production could be increased leading to higher income, lesser unemployment and alleviation of poverty. In this context the Group felt that credit policy in regard to employment to weavers had to bring for the family a minimum income of Rs 600 per month so as to bring it above the poverty line on a long-term basis and take care of its future when capacity to work would start falling down. Accordingly the Group had looked into several aspects related to this objective and kept the same in view in making its recommendations.

1.7 As revealed by the field visits, handloom weaving in the North Eastern Region exhibits some special characteristics. Handloom production in the region is mostly for domestic consumption. Nearly 90 per cent of weavers are women for whom weaving is only a part-time occupation. A lot of promotional work by way of re-organising the handloom industry for making it more productive, efficient and commercial oriented is necessary with a view to making the handloom production in this region a bankable activity.

Outline of the Report

1.8 The Report is divided into 7 chapters as under:

Chapter	Subject
I	Introductory
II	Handloom industry in India - An overview
III	Functioning of SHDCs - Existing Scenario
IV	Operational problems of SHDCs and suggested remedies
V	Bank credit to SHDCs
VI	Infrastructural facilities to individual weavers - A cluster approach
VII	Summary of recommendations

Acknowledgements

1.9 The Group is extremely thankful to the various SHDCs, public sector banks, state governments and union territories for providing valuable feed back through the replies to the questionnaires and during the discussions which the Group held at the time of its field visits. The Group is greatly indebted to Dr.M.V. Hate, Ex-Deputy Governor, Dr. P.D. Ojha, present Deputy Governor and Shri C.V. Nair, Ex-Executive Director of Reserve Bank of India for their valuable guidance and suggestions. The Group would like to make a special mention of the commendable services rendered by Shri A.L. Narasimhan, Deputy Chief Officer in collecting data, preparing notes for meetings and preparing draft report besides actively participating in the discussions. The Chairman would also like to record the contribution made by each member of the Group particularly during the field visits and discussions to bring out various problems of weavers and the corporations in sharp focus.

CHAPTER II

HANDLOOM INDUSTRY IN INDIA - AN OVERVIEW

Handloom Sector

2.1 The handloom sector occupies a place of prominence in the rural economy in many parts of our country. Next to agriculture, handloom is the predominant decentralised industry generating employment for more than 10 million people. Nearly one-third of the total production of cloth in the country is accounted for by this sector and about 1/10th of its output is exported to overseas markets which have a special attraction for Indian handloom products. Considering the employment potential and contribution to the rural economy, the handloom sector has been assigned an important role in the successive Five Year Plans as well as in the 20 Point economic development programme. The Seventh Five Year Plan envisages an expanding role for this sector including the production of entire requirement of Janata Cloth. The Plan envisages production of handloom cloth to increase by 30 per cent and reach a level of 4600 million metres and generate additional employment for 2.5 million persons. About one lakh handlooms are to be modernised and adequate arrangements are to be created for ensuring swift and smooth transfer of technology from research institutions to the handloom sector.

Organisational Structure

2.2 Traditionally, the handloom industry belongs to the weaver community. The operating unit is the weaver household. However, over the years the weavers have come to be grouped into 4 categories viz., independent weavers, weavers working under master weavers or mahajans, weavers who are members of co-operatives and weavers covered by the State level Corporations. The production unit in the handloom industry is the loom. According to the latest estimates, there are 30.65 lakh looms (excluding 8 lakh domestic looms) in the country. Their state-wise distribution is as under:

	State	No. of looms (in 000s)
1.	Andhra Pradesh	529
2.	Assam	200
3.	Bihar	100
4.	Gujarat	20
5.	Haryana	41
6.	Himachal Pradesh	1
7.	Jammu & Kashmir	37
8.	Karnataka	103
9.	Kerala	95
10.	Madhya Pradesh	33
11.	Maharashtra	80
12.	Manipur	100
13.	Meghalaya	5

	State	No. of looms (in 000s)
14.	Nagaland	20
15.	Orissa	105
16.	Punjab	21
17.	Rajasthan	144
18.	Sikkim	NA
19.	Tamil Nadu	556
20.	Tripura	100
21.	Uttar Pradesh	509
22.	West Bengal	256
23.	Union Territories	10
		3065

Source: VII Plan Report of the sub-group on handlooms, Ministry of Commerce, Government of India.

N.A. : Not available.

2.3 It will be seen that about 34 per cent of the looms are in Andhra Pradesh and Tamil Nadu, followed by Uttar Pradesh with 16 per cent. The Eastern Region and North-Eastern Region account for 15 per cent and 14 per cent respectively. Some of the major States like Gujarat, Haryana, Madhya Pradesh and Punjab have comparatively much less handlooms. Again, the co-operative sector covers the largest portion nearly 60 per cent of handlooms; the corporate sector covers only about 4 per cent and the balance of 36 per cent is covered by the residuary sector comprising master weavers and weavers working on their own. Their break up is not readily available but it is estimated that a large portion of weavers outside institutional fold are under master weavers. Further, it was observed during our field visits that the master weavers include many who are not masters in that sense of being very big themselves but who happen to own 5 to 10 looms which are operated with the help of weaver employees. However, the net income to the so-called master weaver does not exceed Rs. 2 to 3 thousand per month. In the institutional structure the co-operatives, as above data show, dominate on the basis of coverage of nearly 60 per cent but only 32 per cent of the looms covered by them are reported to be active. A statement of coverage of handlooms by co-operatives and corporate sector and their production programme during the Seventh Plan period is given in Annexure 2. It will be seen that the effective coverage of looms in the co-operative sector is only around 32 per cent and these handlooms are concentrated in Andhra Pradesh, Bihar, Karnataka, Kerala, Madhya Pradesh, Maharashtra, Manipur, Orissa, Tamil Nadu, Uttar Pradesh and West Bengal. In some of the major states like Gujarat, Rajasthan, Punjab and Haryana, the number of handlooms in the co-operative sector is also insignificant.

2.4 Under the co-operative structure, the weavers staying in clusters are organised into primary weavers' societies which are expected to function as production cum marketing units. However, a few societies are reported to be operating as credit institutions supplying yarn on credit and receiving repayment in cash. A few sell yarn on cash and purchase cloth for marketing if it suits the society. Weavers who are scattered in villages and are not in a position to form themselves into primary weavers' co-operatives can secure financial assistance from primary agricultural credit societies or Farmers' Service Societies or Large Sized Adivasi Multipurpose Societies for purchase of yarn. In a number of states there are state level weavers' societies which are expected to secure and supply yarn to and market the finished products of the primary weavers' societies as also arrange for supply of dyes and chemicals required by the societies and their members. A few of them undertake production also on their own looms or those of weavers. As pointed out earlier, despite the organisation of co-operative societies, a large number of weavers prefer to remain outside the co-operative sector for various reasons including the inability of this sector to provide work for everybody. For the benefit of such weavers, a number of states have established Handloom Development Corporations which are expected to supply yarn to weavers and arrange for sale of their produce as also arrange for dyes and chemicals, training in new designs, patterns etc. Their operations are discussed in detail in the next Chapter.

Production

2.5 The production in the handloom sector is commercialised in all the parts of the country except the North Eastern Region where it is mostly for domestic consumption. The major items produced by the handloom industry are sarees, dhoties, angavastrams, lungies, bedsheets, napkins and handkerchiefs. The production of handloom cloth has gone up considerably particularly in the last decade as the following figures will show.

Year	Production
1948-49	1198 million yards
1954-55	1473 -do-
1973-74	2100 million metres
1980-81	3100 -do-
1981-82	3113 -do-
1982-83	3253 -do-
1984-85	3514 -do-

2.6 Mention may be made here about the introduction of 'Janata Cloth Scheme' by the Government of India in October 1976 with the twin objectives of providing cheap cloth to the weaker sections of the population and also to provide sustained work to the handloom weavers. The scheme is implemented by handloom co-operatives and handloom development corporations in 14 States and one Union Territory. The production of 'Janata' cloth has reached a level of 356.77 million metres in 1984-85 as compared to just 10 million metres in 1976-77.

2.7 The total production of handloom cloth at 3700 million metres gives an average of 1060 metres per loom per year that is less than 3 metres per loom per day. Even after excluding dormant looms the average per loom works out to 5 metres a day. At the prevailing rates of wages, it gives to a weaver not more than Rs.5 to Rs. 7 per day. It is obvious that both quantity and quality of production has to go up considerably if the weaver is to be brought above the poverty line.

2.8 The production in the handloom industry is dependent on availability of raw materials, credit for working capital and investment finance, infrastructural facilities, technical services and market conditions. The yarn required by the handloom sector is produced by spinning mills and composite mills and delivered in hank form. At the end of 1983, there were 595 spinning mills and 280 composite mills in the country and the total yarn produced by them was of the order of 1415.57 million kg. While the entire production of yarn by the spinning mills is made available to the open market, the composite mills market only the surplus yarn after meeting their own requirements for weaving. The Government of India has imposed a statutory obligation on the spinning mills and composite mills to pack not less than 50 per cent of their total marketable yarn in the form of hanks. There is further stipulation that atleast 85 per cent of such hank yarn should be in counts of 40s and below. A scheme was started in 1975-76 under which the National Co-operative Development Corporation (NCDC) gave assistance to State Governments to establish captive spinning capacity for the handlooms in co-operative sector. During the first four years of the Sixth Plan period i.e. upto 1983-84, 20 new co-operative spinning mills and expansion of 6 ongoing units have been assisted by NCDC. Despite the above measures, the increase in delivery of cotton yarn has not been commensurate with the increase in total cotton yarn deliveries and the percentage of former to the latter has shown a consistently downward trend starting from 56 per cent in 1970 to 41 per cent in 1983. This is a matter of great concern.

2.9 Besides hank yarn, handloom processes require dyestuffs, mostly vat powders, naphthols and bases. Almost all items of naphthols and bases as also most of the chemicals required by the handloom industry are being produced in the country and no serious complaints have been voiced regarding their availability to the handloom sector.

2.10 The Government of India have set up a chain of 24 weavers' service centres in different parts of the country and 3 Indian Institutes of Handloom Technology at Salem, Varanasi and Guwahati to bring about a change in the quality and variety of production.

Credit

2.11 The handloom industry as it exists to-day requires institutional finance of a much larger order for purchase of yarn and production and marketing of handloom cloth. The credit schemes have already been formulated and implemented for handlooms in the co-operative sector. A scheme for providing refinance facilities to co-operative banks to meet the working capital requirements of handloom weavers' co-operative societies was formulated and implemented by the Reserve Bank of India from 1957-58. According to the scheme, RBI provided refinance facilities to state co-operative banks on behalf of central co-operative banks for financing production and marketing activities of primary weavers' societies at a concessional rate of interest. Refinance was also made available to state co-operative banks for financing procurement and marketing of cloth by apex/regional weavers societies. Refinance was also provided by RBI to state co-operative banks for financing apex/regional weavers' societies for trading in yarn. These schemes are continued to be operated by NABARD from July 1982 after its formation. The NABARD provides financial accommodation to state co-operative banks at 2-1/2 per cent below the Bank Rate (which works out to 7-1/2 per cent per annum) on the condition that the banks will charge the same rate of interest to the societies. An interest subsidy of 3 per cent is provided by the State Governments at present to the financing banks in respect of finances provided to handloom weavers' societies. The short-term credit limits sanctioned by the NABARD to Apex and primary weavers' societies amounted to Rs. 224 crores in 1984-85. Some of the important changes made by the NABARD in the scheme of financing include the revision of per loom scale of finance in respect of different types of looms such as cotton, silk etc. and revision in estimating credit requirements at 40 per cent of the value of anticipated production instead of the earlier norm of 33 1/3 per cent. Since December 1983 the NABARD has opened new lines of term credit for acquisition/modernisation of looms and construction of worksheds by weavers as well as setting up and renovation of show rooms by apex/regional weavers' societies.

2.12 For weavers outside the co-operative fold, there is no comprehensive scheme for provision of institutional finance as obtaining in the co-operative sector. Some of the weavers who work individually avail of finance for their production activities from commercial banks under Differential Rate of Interest (DRI) Scheme and Integrated Rural Development Programme (IRDP). The state handloom development corporations have arrangements with commercial banks to meet their own working capital needs. For supplying yarn to weavers working for them and marketing their products, the corporations also receive share capital and funds towards block capital requirements from the State and Central Government.

Marketing

2.13 The viability of handloom activity as that of any economic activity is dependent on facilities available for marketing final produce, in this case, cloth in various forms. With the passage of time, there has been perceptible improvement in the marketing of handloom fabrics through the setup for the weavers working in the organised sector comprising co-operative societies and corporations. In the co-operative sector, the marketing structure originates from primary weavers' societies functioning as production cum sale societies. The State Handloom Apex Societies procure finished products from the primary weavers' societies and market them through their sales outlet/emporia run by them. In some of the states like Tamil Nadu, Andhra Pradesh and Karnataka, a well established co-operative marketing structure is available to weavers. The Tamil Nadu Handloom Weavers' Co-operative Society (Cooptex) has 573 emporia. The All India Handloom Fabrics Marketing Co-operative Society is functioning at the national level. It has set up sales emporia known as 'Handloom House' in some of our major cities. In the corporate sector, the State Handloom Development Corporations have set up emporia to facilitate sale of cloth produced by weavers under their fold. Notwithstanding the marketing structure as available in the organised sector, bulk of marketing of handloom cloth is in the hands of private traders, merchants and master weavers. The organised sector suffers from many handicaps including finance. The trade fairs and exhibitions both within and outside the country do give boost to handloom cloth sales but in these too, it is the private trader who benefits more and the objective of organised marketing gets defeated as there is little addition to the income of weavers. Another method which has been operated for more than three decades to help boost sales of handloom cloth and also to liquidate accumulated stock of handloom fabrics is the rebate scheme. Under this scheme, rebate is allowed during specific period on sales of handloom fabrics upto 20 per cent which is shared equally between the Central and State Governments. Presently, the period of rebate in a year is 30 days and is generally operated in festive seasons like Diwali, Puja, Dassera, Onam, Pongal, etc. In addition, a special rebate is allowed for sales at National Handloom Expos organised by the Government of India. The sales during rebate period are not only popular but have become so much a part of the handloom fabrics marketing that some times they account for nearly 70 to 80 per cent of total handloom fabrics sales in the organised sector. The result is that total yield on handloom fabrics goes down. The handloom trade is also not able to benefit from the large demand during festive season which exists whether there are rebates or no rebates. On the other hand having offered rebates in festive seasons, the handloom industry is not left with any capacity to offer rebates to boost up sales in slack season.

Government Assistance

2.14. Prior to the advent of textile mills in nineteenth century the handloom industry had a rich past with a large patronage from the then Princely states. However, after the appearance of mill made cloth which offered a lot of variety at cheaper prices, the urban consumer preference shifted more or less to the mill made cloth. Further, the handloom industry continued with traditional techniques which became uneconomic due to various factors with the result that the handloom cloth could not withstand the competition of the mill made cloth. This brought about a recession in the handloom industry. During the second world war period, the demand for handloom cloth slumped further both in domestic and foreign markets. The Government of India, therefore, appointed in 1941 a Fact Finding Committee to go into the problems of handloom industry. The committee in its report presented various aspects of the handloom industry such as size and employment potential and stressed the necessity of setting up of an All India Handloom Board to look after the interests of the industry. The problems of handloom industry, however, continued to exist and various committees viz., Textile Enquiry Committee, 1954, Working Group on Handlooms, 1963 and High Powered Study Team on Handloom Industry, 1973 were constituted by the Government of India from time to time to examine different problems that were faced by the industry. These Committees recommended, inter alia, continuance of reservation of items of production in favour of handlooms, placing restrictions on expansion of mill industry on weaving side and allowing expansion only on spinning side, continuance of rebate schemes, setting up of separate directorates in State Governments for development of handlooms, organising weavers' co-operatives and also assisting them outside the co-operative fold with intensive development schemes, promotion of export of handloom products through specially designed projects etc. In the light of recommendations made by the committees various steps were initiated by the Government of India, which decided that as a matter of policy, handlooms should be developed as co-operatives of weavers for production and marketing. Accordingly, a comprehensive programme of development of handlooms on co-operative lines was taken up particularly with the formation of the All India Handloom Board in 1952. In pursuit of this programme, various schemes of institutional finance, rebate, construction of housing colonies, setting up of co-operative spinning mills/dye houses, etc. were introduced during fifties and sixties. The office of Development Commissioner for Handlooms in the Government of India was set up in 1976 to act as a nodal agency at the Central level for promotion of handloom industry. This facilitated introduction of a number of developmental schemes for broadening capital base of the organisational structure, modernisation of looms, organisation of promotional programmes for marketing of handloom products etc. A statement of such schemes is furnished in Annexure 3.

2.15. A recent development in strengthening the institutional frame work for promotion of handloom industry is the setting up of the National Handloom Development Corporation in February 1983 with its headquarters at Lucknow. The main functional responsibilities entrusted to the corporation are procurement and distribution of hank yarn and other inputs and promotion of sales by opening marketing outlets.

Accordingly the corporation has opened regional offices at Bombay, Coimbatore and Guwahati in addition to branch offices at Bihar Sharif, Calcutta, Coimbatore and Guwahati for supply of yarn. The corporation is engaged in procurement of yarn from the National Textile Corporation and state co-operative spinning mills for onward distribution to State Handloom Development Corporations and State Apex Weavers Co-operative Societies at reasonable prices. The corporation is also procuring and distributing dyes and chemicals, the another important input needed by the handloom sector. The corporation has set up as mentioned earlier, marketing complexes for sale of handloom cloth.

2.16 The policy of reservation of items for exclusive production by handloom industry was adopted since 1950, firstly under the Cotton Textiles (Control) Order, 1948, and later under the provisions of the Essential Commodities Act, 1955. However, during the last few years the reservation orders have been challenged in various courts of law and therefore, the Handlooms (Reservation of Articles for production) Act, 1985 was enacted by the Government of India in March 1985. The legislation provides for prohibition of manufacture of certain articles or class of articles by powerloom or other sections and penalties for contravention of the provisions. In pursuance of the provisions of the Act, the Government of India has constituted an Advisory Committee. The Commitee is headed by the Development Commissioner for Handlooms with experts and representatives of Central and State Governments as members to suggest articles or class of articles to be reserved for exclusive production by handloom sector. Based on the recommendation of the Advisory Committee, the Government of India, Ministry of Textiles has issued a Notification on 5 August 1986 notifying 22 articles or class of articles to be reserved for exclusive production by handlooms.

National Textile Policy, 1985

2.17 In June 1985, the Government of India announced its Textile Policy for next five years. The main objective of the policy is to increase production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of growing population and also to preserve the unique and distinct role of the handloom sector. In order to preserve this role and enable the handloom industry to realise its full potential as also to ensure higher earnings for the handloom weavers, concerted efforts are to be made to intensify development of handlooms through co-operatives and central and state level corporations, modernisation of looms and provision of technological and other inputs for improving productivity of handloom, improvement in the quality and finish of handloom products, strengthening of infrastructure for procurement and assured supply of yarn at reasonable prices, and encouraging production of mixed and blended fabrics of handloom to improve the wages and earnings of the weavers. To improve the marketing of handloom products, infrastructure of marketing complexes, training of marketing personnel and intensive publicity would be organised. Steps would be taken to upgrade the technical, managerial and administrative skills of personnel employed in the handloom sector. The new textile policy also envisages removal of cost handicap of the handlooms vis-a-vis the powerlooms by suitable fiscal measures. Further, the handloom sector would be entrusted with the entire production of controlled cloth by the end of Seventh Five Year Plan. In order to improve the working conditions of the handloom weavers and provide direct benefit to them, the Government of India would introduce schemes viz., Contributory Thrift-Fund Scheme to provide assistance to the handloom weavers during times of need; and Workshed-cum-Housing scheme to provide a better place for work and living to the handloom weavers. It is expected that this policy would help in restructuring the textile industry and equip it to make an increasingly significant contribution to output, employment and exports.

CHAPTER III

FUNCTIONING OF STATE HANDLOOM DEVELOPMENT CORPORATIONS - EXISTING SCENARIO

Genesis of SHDCs

3.1 The High Powered Study Team on handlooms appointed by the Government of India in 1974 had opined that any scheme of rehabilitation of handlooms which did not take note of the large section of weavers remaining outside the cooperative fold was bound to be ineffective. For amelioration of this sector, the Study Team recommended a scheme of intensive development of handlooms under which 25 units of 5000 or 10000 looms each, outside the cooperative sector, but comprising of individual weavers should be organised into institutions under the Company Law during the Fifth Plan period. In fact there did exist the Handloom Finance and Trading Corporations, in a few states, to assist the weavers outside the co-operative fold. Though these corporations were not eligible for refinance from the Reserve Bank of India the commercial banks could finance them. The study team mentioned above suggested that the Handloom Finance and Trading Corporations should shed financing activities and concentrate on trading operations and these corporations could very well take up the role for implementing the schemes of intensive development for the benefit of weavers outside the co-operative fold. In pursuance of the above recommendations many state governments set up Handloom Development Corporations after 1975 and these became the agencies for implementing the projects for development of handlooms outside the co-operative sector.

3.2 At present there are 20 SHDCs established under the Companies Act, 1956 by the State Governments and one by the Central Government viz. North Eastern Handicrafts and Handlooms Development Corporation Ltd. (NEHHDC). The NEHHDC was established in 1977 to supplement the efforts of the State Corporations functioning in the region. The principal objectives of the SHDCs, as outlined in their Memorandum of Association, are to supply raw materials required by the handloom industry outside the cooperative sector, provide pre-loom and post-loom facilities, provide assistance for modernisation of looms, improved equipments and accessories, arrange for marketing of finished goods and impart training to weavers. While all the corporations are generally set with these objectives, some of them are charged with the additional responsibility of looking after the interest of powerlooms and handicrafts. The corporations in Andhra Pradesh, Bihar, Haryana, Himachal Pradesh, Madhya Pradesh, Manipur, Nagaland, North Eastern Region, Tripura and West Bengal are multi-functional, constituted to look after, besides handlooms, the handicrafts and in some cases powerlooms also. In Assam, the Government Marketing Corporation is entrusted with the implementation of handloom and handicraft development programmes. The corporations of Gujarat, Jammu & Kashmir, Karnataka, Kerala, Maharashtra, Orissa, Punjab, Rajasthan, Tamil Nadu and Uttar Pradesh look after handlooms exclusively. The names of the corporations and dates of their incorporation are given in Annexure 4.

Ownership and Management

3.3 A statement showing the capital structure of the corporations as at the end-March 1984 is furnished in Annexure 5. The pattern of shareholding reveals that as many as 16 corporations are wholly owned by the respective state governments whereas the North Eastern Handicrafts and Handlooms Development Corporation is fully owned by the Central Government. In the case of Tamil Nadu and Kerala, individual weavers have contributed to the share capital to the extent of Rs.61.35 lakhs and Rs. 5.42 lakhs besides the state governments' holdings amounting to Rs. 115.00 lakhs and Rs. 130.25 lakhs respectively. In the case of Gujarat and West Bengal, in addition to the state government contribution, a marginal amount of shares of Rs. 2.00 lakhs and Rs. 2.50 lakhs respectively are held by other institutions.

3.4 All the corporations are managed by boards of directors. They include members nominated by the concerned state governments except in the case of NEHHDC. The directors of NEHHDC are nominated by the Government of India. In the case of Tamil Nadu, 8 members are elected from weaver members and 5 are nominated by the state government. In Kerala, despite individual shareholding, all directors are nominated by the State Government and there is no representation to the individual shareholders on the board of directors. A notable feature about the composition of boards of management of the West Bengal and Madhya Pradesh corporations, is the inclusion of a representative of the financing institution. The Managing Directors of all the corporations are on deputation from the IAS cadre or the State Administrative cadre. The Chairmen of the corporations are non-officials nominated by the Government except in Tamil Nadu where the Director of Handlooms is the ex-officio Chairman of the corporation.

Activities

3.5 The activities of the corporations are firstly centred round the projects launched by the Government of India. As mentioned earlier, the High Powered Study Team (1974) had recommended project approach for development of handlooms outside co-operative fold, which was accepted by the Government of India. Under this scheme, a package of inputs is to be given to a cluster of looms in compact geographical areas with assurance by the project authorities for marketing the products. Accordingly, 25 Intensive Handloom Development Projects each covering 10000 looms and 20 Export Production Projects each covering 1000 looms were launched by the Government of India during the V Five Year Plan period for implementation in those States where the total number of looms was not less than 40,000. While the export production projects are fully funded from the Centre, the intensive handloom development projects are jointly funded by the respective state governments and the Government of India. In all these projects, weavers outside the cooperative fold are included and provided with raw material, pre-loom and post-loom facilities, training and marketing assistance. The production is supervised by the technical officers of the corporations. While 20 Export Production Projects have covered 20 thousand looms as targetted, the 25 Intensive Handloom Development Projects have covered 1.50 lakh looms. The value of production so far in these two types of projects is estimated around Rs 9 crores and Rs 60 crores respectively, which works out to an average production of the value of Rs 4,500 and Rs 4,000 per loom.

3.6 The SHDCs are also assisting weavers in non-project areas. These activities can be classified broadly into three categories viz. supply of input, production and marketing. The corporations purchase yarn and supply it to the weavers, pay them conversion charges, get back the finished products and arrange for their marketing through the sales outlets set up for the purpose. All the corporations except Tamil Nadu have set up their own production centres. The production activity is also carried out in the weavers' work sheds. To facilitate marketing, many corporations have established retail outlets within and outside the state. Some like Karnataka and Orissa in addition market their products through commission agents, wholesale depots and by mutual arrangements through other corporations. Data collected from the corporations relating to their activities in years 1982-83 and 1983-84 are summarised below; the state-wise position is furnished in Annexures 6 to 10.

	1982-83	1983-84
Value of yarn supplied to weavers	Rs 3286.66 lakhs	Rs 4151.43 lakhs
No. of production centres	Not available.	599
Value of production	Rs. 7925.49 lakhs	Rs. 9415.31 lakhs
No. of sales outlets	Not available	748
Value of sales	Rs 9497.44 lakhs	Rs 11597.25 lakhs

There has been appreciable allround progress in the areas of input supply, production and marketing activities undertaken by SHDCs all over the country. However, it cannot be said to be commensurate with the weaving capacity as represented by the number of looms and provision of fair levels of income to the weavers. On the side of promotional activities of the corporations, only a few seem to have made an impact as such. Training in new designs and modern techniques is being imparted to weavers by the corporations like Gujarat, Haryana, Jammu & Kashmir, Karnataka, Orissa, Punjab and Rajasthan. The Himachal Pradesh Corporation is reported to have set up a Handloom Design Development Centre where old designs are made use of in evolving new designs to meet the demands of fashion. With a view to increasing productivity and earnings of the weavers, some of the corporations like Jammu & Kashmir, Karnataka, Orissa and Rajasthan have undertaken a programme of modernising the existing looms.

3.7 The Karnataka Handloom Development Corporation has provided housing cum workshed facilities to some of the weavers under Dutch assistance programme. The corporation has so far built 562 living tenaments cum worksheds and 2 common weaving sheds; construction of remaining 1158 living cum worksheds is said to be in progress. This programme is expected to organise the weavers in a cluster, provide them production material as well as accommodation for carrying out production and residence. Its success needs to be watched.

3.8 The style of functioning of Tamil Nadu Handloom Development Corporation does not conform to the general pattern of functioning of SHDCs in the country. Although the objective of the corporation is to promote the growth and development of handloom industry outside the cooperative fold, the corporation has not undertaken either production or marketing activities or even promotional measures. The only activity presently undertaken by the corporation is to provide loans to individual weavers for their production activities at rates of interest ranging between 13 1/2 and 16 per cent depending on the quantum of loan. As on 31 March 1984, the total outstanding loans amounted to Rs 305 lakhs against 1 lakh weavers. The funds required are raised by the corporation by way of loan from banks and the corporation's attempts are to keep the rate as low as possible. In other words the Tamil Nadu corporation is a credit agency with limited resources of its own.

Bank Credit

3.9 The working capital needs of SHDCs are met by the banking system and their term loan requirements are taken care of by loans, subsidy etc. granted by the state governments. A statement indicating bank finance availed of by the corporations during 1982-83 and 1983-84 is given in Annexure 11. It will be seen that 13 SHDCs had availed of hypothecation cash credit limits aggregating Rs. 1325.25 lakhs from banks during 1983-84 as against Rs. 1132.00 lakhs during 1982-83. It is reported that Punjab and Orissa corporations had availed of term loans also from banks during the above years, the balance outstanding of which amounted to Rs.121.33 lakhs and Rs. 10.00 lakhs respectively.

3.10 To give fillip to the decentralised sector, it was decided by Reserve Bank of India in February 1980 that advances to organisations established for developing decentralised sector by the central and state governments or by recognised promotional and marketing organisations like KVIC for purchase and supply of inputs to and/or marketing of output of the artisans, village and cottage industries should be treated as 'priority sector' advances. Such advances were also made eligible for concessional rate of interest at 13.5 per cent in June 1981 and the rate of interest was further reduced to 12.5 per cent with effect from 1 April 1983. Accordingly, the SHDCs have become eligible for working capital finance from banks at the concessional rate of interest of 12.5 per cent. While the rate of interest charged by the financing banks was generally in accordance with the Reserve Bank of India directives, certain banks levied higher rate of interest in the following cases:

Name of SHDC	Rate of interest charged (per cent)	Name of bank
Jammu & Kashmir	18.00	Jammu & Kashmir Bank Ltd.
Madhya Pradesh	19.00	State Bank of Indore
Nagaland	18.50	State Bank of India
Orissa	13.50	New Bank of India
Punjab	18.50	Punjab National Bank

The margin stipulated by the banks for the financial accommodation provided by them varied from bank to bank, the range being 20 to 40 per cent of the value of hypothecated stock of raw material and finished goods.

Other sources of funds

3.11 Out of 21 corporations, it is reported that 18 corporations had borrowed from Government by way of short term and term loans of the order of Rs. 2386.43 lakhs during 1983-84 as against Rs. 2427.62 lakhs during 1982-83. The state-wise position is indicated in Annexure 12. One corporation, namely, Madhya Pradesh State Textile Corporation Ltd. is entrusted with, besides handloom development, the management of sick textile mills also. It had borrowed from term lending institutions like the State Financial Corporation, the Industrial Finance Corporation of India and the Industrial Development Bank of India to the extent of Rs. 104.94 lakhs.

Audit

3.12 The statutory audit of SHDCs is conducted by the Chartered Accountants appointed by the Company Law Board. It was found that the statutory audit was in arrears in respect of many corporations. Only two corporations viz. Haryana and Tamil Nadu had been audited for the year 1983-84 while the audit was in arrears since 1979-80 in respect of Bihar, Madhya Pradesh, Orissa and Uttar Pradesh. A complete picture of the statutory audit of all SHDCs is presented in the following table:

Statutory audit completed upto	No. of SHDCs
1979-80	4
1980-81	3
1981-82	4
1982-83	1
1983-84	2

In addition to statutory audit, the corporations are having a system of internal audit of the accounts either by their internal audit wing or by the outside Chartered Accountants specially engaged for the purpose. While 5 corporations had got their internal audit completed for the year 1983-84, the position in respect of other corporations is in arrears. The accounts of Bihar corporation had been audited only upto 1978-79.

Working results

3.13 Notwithstanding heavy arrears in the statutory audit of accounts of many SHDCs, the balance sheets drawn by the corporations as at the end of March 1983 and March 1984 revealed that their working results (shown in Annexure 13) were not discouraging. During 1982-83, 12 corporations incurred losses to the extent of Rs. 191.85 lakhs while 7 SHDCs had shown profit aggregating Rs. 84.45 lakhs. For the year 1983-84, the number of corporations showing loss had come down to 6 and the total loss got reduced to Rs. 92.69 lakhs, while 10 SHDCs had shown profit aggregating Rs. 137.61 lakhs during the year.

CHAPTER IV

OPERATIONAL PROBLEMS OF STATE HANDLOOM DEVELOPMENT CORPORATIONS AND SUGGESTED REMEDIES

4.1 The Sub-Group on handlooms appointed by the Ministry of Commerce to work out the approach for development of handlooms during VII Plan had suggested following targets in respect of SHDCs.

Total looms	30.65 lakhs
Target for coverage of looms by SHDCs	3.06 lakhs
Target for production and marketing of handloom cloth by SHDCs	5045 lakh metres

The corporations at present cover 1.47 lakh looms. They have thus to cover in next five years twice the number of looms with them at present. The fact that the present coverage has been reached by the corporations after an existence of 10 years will show that not only massive efforts will be called for but operational and financial problems faced by the SHDCs will have to be identified and remedial measures taken to facilitate the targetted growth. These problems are analysed in the paragraphs that follow.

Supply of yarn

4.2 The basic raw material for the handloom sector is yarn, produced by spinning mills and composite mills and delivered in hank form. The composite mills make yarn deliveries from out of surplus production after meeting their requirements. It is reported that the major problem faced by the handloom sector, particularly the SHDCs, is the irregular supply of yarn at reasonable prices. The Orissa and Uttar Pradesh State Handloom Development Corporations have reported difficulties in procuring yarn due to frequent price fluctuations arising out of stepping up of rates by the mills. Other corporations have expressed that the levy of sales tax and octroi have pushed up yarn prices. The corporations functioning in the North-Eastern Region have to depend on supplies from outside the region as there are only two spinning mills in Assam. The long distance causes delay in timely supply of adequate quantity of yarn upsetting production schedules. There is no doubt that the Government of India has made efforts to mitigate the hardships faced by the handloom industry in procurement of requisite quantity of hank yarn. With the increase in the number of spinning and composite mills from 378 in 1951 to 875 as at the end of 1983, the total yarn production has gone up from 104.32 million kg. to 1415.57 million kg. The Textile Commissioner, Government of India had also issued a Notification No. CER/17/79 dated 29 June 1979 imposing an obligation on spinning mills and composite mills to pack not less than 50 per cent of their total marketable yarn in the form of hank yarn. It was further laid down that 85 per cent of hank yarn had to be in counts of 40s and below. Despite these quotas, the hank yarn deliveries to handloom sector as percentage to total deliveries tapered down, as shown in the table (next page), from 47.9 per cent during the year 1979 to 41 per cent during the year 1983. Total marketable yarn of spinning and composite mills is referred to as yarn deliveries.

(in million kg.)

Year	Total cotton yarn deliveries	Hank yarn deliveries	Percentage of col. (3) to (2)
(1)	(2)	(3)	(4)
1979	485	232	47.9
1980	556	258	46.4
1981	566	252	44.5
1982	638	272	42.6
1983	699	287	41.0

4.3 It is obvious that spinning mills and composite mills not only did not adhere to the prescribed obligation but allowed the rate of supply to go down. Further, some of the mills challenged the validity of Textile Commissioner's aforementioned Notification and filed a writ petition to that effect in the Madras High Court. The High Court in its judgement delivered on 5 September 1984, held that "Clause 21 (5) of the Cotton Textiles (Control) Order, 1948, is violative of Articles 14 and 19 (1) (g) of the Constitution of India" and that "the impugned notification dated 29th June 1979 also suffers from violation of Articles 14 and 19 (1) (g) of the Constitution of India and that the restriction imposed by that notification cannot be said to be reasonable as contended on behalf of the Central Government." The Government of India has filed an appeal in the Supreme Court against this judgement and its outcome is awaited. Meanwhile, as the period of the notification of June 1979 was to expire on 31 March 1985, the Textile Commissioner, Government of India, has issued a fresh notification No. CER/17/85/1 dated 30 March 1985 imposing on all producers of yarn the aforesaid obligations, viz. to pack not less than 50 per cent of marketable yarn in the form of hank yarn and atleast 85 per cent of such hank yarn to be in counts of 40s and below. This notification shall be in force till 31 March 1990. It is reported that the validity of this notification too has been challenged in several courts.

4.4 While, on the one hand, the legal view has gone against handloom industry, the availability of hank yarn to the sector continues to fall short of the level fixed by the Textile Commissioner which is the minimum required. The absence of an organised distribution system also affects the supply and in the open market where prices are governed by market forces, the difficulties of assured supply at reasonable prices get accentuated. Another disturbing aspect is the reported conversion of hank yarn into cone yarn which reduces availability of hank yarn to the handloom sector.

4.5 Taking cognizance of the above situation, it would be necessary to take measures not only for increasing the production of hank yarn but also for evolving an organised arrangement for its distribution to the handloom sector particularly in the context of expected increase in the yarn requirement by the handloom sector to 370 million kg. of cotton and 141 million kg. of non-cotton and blended yarn. In this connection, the sub-group on handlooms of the Working Group on Textiles in the Seventh Plan appointed by the Planning Commission had recommended establishment of 4.5 lakh spindles and 25 weavers' co-operative spinning mills during the Seventh Five Year Plan period. Some of the State Governments are reported to have submitted proposals for setting up such mills which need to be expeditiously considered and adequate number sanctioned so that increased supply of yarn would become available in the early part of Seventh Plan period. The Government of India may also consider as a condition of sanction that the hank yarn to be produced by these mills would be supplied to SHDCs and the co-operative sector only. Such an action on the part of the Government of India should be supported by the banking sector including NABARD and the IDBI which will be providing term finance and the commercial and co-operative banks which may provide working capital so that the spinning mills and the composite mills would provide hank yarn to the handloom sector on the scale prescribed by the Government of India.

4.6 Alongwith increased production, the civil deliveries of hank yarn have to be regulated so as to ensure adequate supply to handloom industry. Since the legal opinion so far has gone against compelling the existing spinning mills to supply prescribed proportion of hank yarn to the handloom sector, alternatives have to be found for direct linkage between SHDCs and spinning mills through an appropriately structured yarn distribution system. In Tamil Nadu, the yarn of different counts required by the co-operative sector is produced by co-operative mills which is procured by the Tamil Nadu Handloom Weavers' Co-operative Society (COOPTEX) on the basis of an allotment made by the Director of Handlooms and Textiles and the same is distributed to the primary weavers' co-operative societies through its 22 retail outlets located throughout the state. The selling prices of different counts of yarn are fixed every month by the state level yarn price committee appointed by the State Government. It includes the Director of Handlooms and Textiles as Chairman and the representatives of primary co-operative societies and the managing directors of co-operative spinning mills as members. The prices of yarn are fixed in such a way that they are slightly lower than the market prices. The COOPTEX distributes the yarn to the primary weavers' co-operative societies at these prices after adding 1 per cent margin to meet the handling charges. Thus, the weavers in the co-operative fold are continuously getting supply of yarn at reasonable prices through COOPTEX yarn units throughout the year. The sub-group of the Standing Committee on Handlooms of the All India Handlooms and Handicrafts Board (1983) had proposed that the National Handloom Development Corporation (NHDC) should take over the hank yarn distribution by setting up raw material banks in all States in collaboration with State Apex Co-operatives/State Handloom Development Corporations. During the visits to different states, the Working Group gathered that NHDC had opened yarn depots in a few centres only namely Guwahati, Bihar Sharif, Calcutta and Coimbatore. It is obvious that considering the large organisational structure and financial outlay required to open yarn banks and arrange for yarn distribution all over the country it may be neither feasible nor necessary for the NHDC to play the role of distributor all alone. The role of NHDC in the sphere of yarn distribution will have to be both promotional and supplementary to the existing institutional frame work in the states namely the SHDCs. The Group proposes that the arrangements for regular and organised distribution of yarn should consist of adequate planning of the yarn requirement by SHDCs, its production by mills and its distribution through the organisational set up of SHDCs by NHDC. Each SHDC should estimate well in advance its annual requirement of yarn, count-wise, taking into account its production plan and weavers' preference. These data should be made available to the National Handloom Development Corporation sometime in October every year when cotton crop starts coming to the market and cotton marketing organisations prepare themselves for negotiating sale of cotton bales to mills and their agents. The corporation may jointly with the support of the Development Commissioner (Handlooms) of the Government of India hold a meeting of representatives of spinning mills, the handloom organisations and the Government of India and the State Governments to finalise the programme for production of hank yarn, its distribution to various units, price etc. The allocations so made should be accepted and honoured both in respect of quantity to be produced and supplied and the price to be charged for each variety of yarn. The arrangements so made should be reviewed after six months. The orders/indents as decided at the above meeting should be placed at quarterly intervals directly with the mills along with the expected delivery schedules. Such planning will be meaningful if it is backed by adequate credit on reasonable terms, suitable price policy and market research. These aspects are discussed in subsequent relevant paragraphs dealing with credit, price structure and research. It is, however, necessary to mention that if spinning mills are to maintain their cycle of production and supply of yarn continuously, then there has to be an assurance for prompt payments to mills. The Director of Handlooms in each State should as in the case of Tamil Nadu, co-ordinate the arrangements within the State and in case of difficulty with any private sector mills, the assistance of Indian Cotton Mills Federation may be sought if necessary through the National Handloom Development Corporation. The Group also recommends that in the interest of handloom industry, sales tax and octroi duty wherever levied on hank yarn should be abolished by the respective state governments.

4.7 The other inputs required in the production of handloom fabrics are dyes and chemicals. Handloom processing needs dye stuffs and chemicals like caustic soda, soda ash, bleaching powder, hydro sulphide and sodium nitrate. The bulk of the requirements of dyes and chemicals is met by indigenous manufacturers and no difficulties have been expressed by the corporations in regard to their supply position. To ensure that unadulterated and high quality of dyes and chemicals of approved standard are supplied to handloom sector, the National Handloom Development Corporation has made arrangements for making bulk purchases of dyes and chemicals from manufacturers with plants where rigorous quality control exists. The corporation also undertakes distribution of the above input to State Handloom Corporations and State Handloom Apex Societies, based on their firm orders received in advance every quarter. It is also proposed by the corporation that the major manufacturers of dyes and chemicals should undertake training programme to the dyers in the State Handloom Agencies in the use and methodology of dyeing. The Working Group feels that this activity needs to be adequately supported by bank finance. Details of credit accommodation are discussed in the Chapter on bank finance.

Production and Productivity

4.8 Handloom weaving is basically a manual operation and therefore, it has to live with lower productivity and relatively higher cost of production as compared to machine fabrics produced by organised mills or even power looms. The traditional handloom can produce only 3 to 5 metres of cloth per day as against 20 to 30 metres produced by a powerloom per shift. The handloom and the man behind the loom are the two important factors contributing to the production rate. Our field visits to various States indicated that most of the weavers are still working on old and outmoded looms using obsolete techniques. The weavers, a number of whom have been on the job for years together, resist change. It suits the employer also in the context of low wages to be paid. There is thus lack of motivation both for weavers and those who engage them. According to one estimate, the production of traditional handloom fabrics on a larger scale lowers demand resulting in high underemployment at about 40 to 60 per cent of weaving force available. A full employment for weaver is taken to mean availability of work for about 250 to 300 days in a year.

4.9 In order to bring about improvement in the handlooms as also to enhance the income earning capacity of the men behind the looms, the need for modernisation of looms and upgradation of skills of weavers assume importance. The Development Commissioner for Handlooms administers a scheme for modernisation of looms under which assistance is provided in the form of loan (2/3) and grant (1/3) both being shared with the State Government concerned. The Sixth Five Year Plan had placed the requirement of funds for the purpose during the plan period at Rs. 5.36 crores. The NABARD too has formulated 3 model schemes for replacement of ordinary pitlooms by improved pitlooms or frame looms and construction of workshed and installation of frame looms adjoining weavers' cottages. Refinance from NABARD to the extent of 90 per cent is also available to the commercial banks for financing the above schemes. It is understood that even though NABARD's schemes for modernisation are in operation since December 1983, no SHDC has so far availed of this facility. On the other hand, data furnished to the Group and oral enquiries indicated that Andhra Pradesh, Bihar, Madhya Pradesh, Rajasthan and Tamil Nadu Handloom Development Corporations were yet to initiate action for modernisation. It is not unlikely that SHDCs find it difficult to take advantage of the scheme. The NABARD may, therefore, examine the factors, if any, responsible for poor progress so as to introduce modifications to the extent feasible and necessary.

4.10. The financial assistance under the scheme for modernisation of looms administered by the Development Commissioner for Handlooms, Government of India, is presently available to the handlooms covered by co-operatives and corporations. Considering the fact that the commercial banking system could take care of the loan requirements of the weavers for modernisation of looms and also that refinance facility is extended by NABARD for the purpose, the Group is of the view that the financial assistance provided by the Government of India to the corporations should be as far as possible in the form of grant/subsidy instead of loan-cum-subsidy, which may be used as seed money/margin to raise the requisite bank credit. This would facilitate wider coverage of weavers requiring financial assistance for modernisation in a shorter span of time. A phased programme has to be chalked out by each corporation for modernisation of looms. In this context, it is suggested that to make such programme operational, each corporation may prepare an action plan for modernisation of looms every year, adopting an area approach, with districtwise break-ups, in consultation with the State Government and NABARD. The action plans so drawn up may be dovetailed into the DCPs/AAPs formulated by the Lead Banks for different districts.

4.11 With a view to imparting intensive training in the various disciplines in handloom industry like weaving, designs, dyeing, printing etc., the Government of India has set up 3 Institutes of Handloom Technology at Salem (Tamil Nadu), Varanasi (Uttar Pradesh) and Guwahati (Assam) and these institutes are conducting 3 year diploma courses and 4 month short-term courses in handloom technology.

4.12 To cater to the needs of training and upgradation of skills of weavers, the Government of India has set up 24 weavers' service centres all over the country. These centres are expected to assist weavers in development of new designs and products and also impart training for use of new appliances and techniques/designs to improve productivity and earnings of weavers. The service centres are engaged in continuous research in improving method of dyeing, printing etc., and in evolving new designs. The Weavers' Service Centres do not seem to have been able to play the catalystic role expected of them in training weavers to upgrade their technology, productivity and designs. The response to the training programmes conducted by the Weavers' Service Centres has been reported to be unsatisfactory. One of the reasons is said to be the reluctance of weavers to adopt changes. It is also reported that weavers are not prepared to leave their looms and villages to attend the training programmes conducted at the Weavers' Service Centres. Recently, the Government of India has appointed a committee to examine the working of these service centres and to suggest measures for better utilisation of these centres by the weavers.

4.13 Viewed in the context of weavers' psychological resistance to innovations, the Group feels that the programme for modernisation of looms will not make much headway unless it is accompanied by a parallel programme for motivation of weavers. A phased programme has to be drawn up for training weavers and compensating them for loss of income during the period. The Government of India may consider constituting a fund with each SHDC with contributions from the Government of India and the State Governments and also by the corporations by a charge on their income before arriving at profit figure. It is further necessary to create infrastructural facility in each SHDC for training the weavers. It is gathered that some of the SHDCs have got arrangements for training the weavers under their fold on a limited scale. There is need for more on-the-job training programmes to be conducted by all SHDCs for short durations focusing on weaving techniques and design development. They should be so designed as to carry the message that modernisation will achieve economic viability. To meet the financial requirement of SHDCs in imparting training to weavers, NABARD may consider offering grants from its Research and Development Fund to SHDCs.

4.14 Apart from training weavers and improvising looms, the availability of trained personnel in modern commercial techniques with SHDCs to assist their production programmes is another important requisite. To start with, the Group feels that there is need to professionalise the service cadres in SHDCs manning middle level management posts connected with marketing, research and design development. A suitable product mix should be developed by them keeping in mind the changing pattern of demand both at home and abroad to enable SHDCs to compete with the mill sector. As the Development Commissioner for Handlooms, Government of India is implementing a scheme which envisages training of managerial personnel of Apex Societies and SHDCs at National Institutes like Indian Institute of Management, Ahmedabad, etc., the SHDCs should make use of this facility and get all their managerial personnel trained so as to have a well-equipped managerial team with them. This will go a long way in enhancing their management capability and operational efficiency.

Marketing

4.15 The marketing channels of handloom products, presently in vogue are (i) primary weavers' societies, apex weavers' societies, apex marketing societies and their sales depots/emporia (ii) state owned corporations and their emporia (iii) master weavers (iv) merchants and traders and (v) individual weavers themselves. The bulk of marketing of handloom goods particularly sophisticated handloom production is in the hands of private traders and merchants. They have both the capacity to stock and sell and know the market requirements on the basis of which they can get designs and patterns done. The weavers' co-operative societies and state owned corporations have their own limitations to open sales depots everywhere and particularly outside the state in which they operate with the result that their capacity to enter the retail market is highly restricted. Moreover, unlike the retail trader each society sells its own product only with the result that the purchaser gets the feeling that he does not have the choice of products. The quality of salesmanship available with the private trade also differs greatly from that available in shops of co-operative societies or emporia of corporations. The marketing efficiency thereby suffers.

4.16 The handloom industry and the State Handloom Development Corporations in particular are faced with the problem of heavy inventory build-up of finished goods. The average holding of finished goods in terms of number of months' production as furnished by SHDCs is as follows:

State	Average stock of finished goods (in terms of No. of months' production) during		
	1981-82	1982-83	1983-84
1	2	3	4
Bihar	3	4	4
Gujarat	6	10.5	9.75
Haryana	20	17	21
Karnataka	8.4	10.6	9.9
Madhya Pradesh	3.5	4.5	3
Maharashtra	2.5	5.5	4
Manipur	4	4	10
Orissa	2.3	2	1.5
Tripura	2.5	4	4
West Bengal	4	6	6

The inventory position of Gujarat, Haryana, Karnataka, Manipur and West Bengal was quite high. The Tandon Committee (1974) which was set up by RBI to make suggestions for prescribing inventory norms for different industries, had indicated that the maximum level of inventory holding of finished goods and receivables by the Cotton Textile Industries should be 2-1/4 months' cost of sales and sales respectively. It is, therefore, evident that the level of inventory of finished goods alone as held by the corporations is very much on the high side as compared to a combined norm of 2 -1/4 months' of finished goods and receivables laid down for cotton textile industry.

4.17 An analysis of the causes for the peculiar phenomenon of building up a disproportionate inventory of finished goods by the corporations would show that while the production of handloom is a continuous process throughout the year, the sales of handloom are mostly confined to festive occasions like Dassera, Deepavali, Puja, Pongal, Onam etc. when rebate is allowed on handloom sales to consumers. The Government of India is operating a scheme to provide rebate at the rate of 20 per cent, to be shared equally between the central and state governments, in order to help the handloom co-operatives and corporations to liquidate their accumulated stocks. Prior to 1983-84, the rebate was allowed for 30 days in a year and a special rebate was also allowed for sales at National Handloom Expos organised by the Office of the Development Commissioner for Handlooms. Later, the duration of rebate was increased from 30 days to 60 days a year during 1983-84 and 1984-85. While increasing the rebate to 60 days, the special rebate meant exclusively for expos was withdrawn. However, for 1985-86, the old system of 30 days rebate was reintroduced. As per the recent decision announced by the Government of India, the rebate facility would now be available for 30 days for all sales in addition to rebate available in respect of sales in expos. It is reported that the rebate sales account for 70 to 80 per cent of the total sales of SHDCs. This leads to a situation where stocks accumulate during non-rebate period. Since main festivals in an area are generally one or maximum two, the stocking period extends to 6 to 9 months resulting in blocking of resources of the handloom corporations. Since this represents mostly funds borrowed from the banks, interest accumulates and no income is earned resulting in losses. Further, the banks are not willing to accept a position of accumulated stocks in calculating the fund requirements with the result that corporations suffer resource constraint also.

4.18 The rebate scheme, though introduced as a transitory measure, has definitely come to stay. A view is held that the system of giving rebate during prescribed period in a year is basically defective as it is totally consumer oriented. Most of the consumers decide to wait for the rebate period which affects the handloom industry as there is accumulation of stock till the rebate period. This system also tends to make the handloom sector sick by selling its accumulated stocks at a discount during festivals and exhibitions. Further, under the present system, rebate is offered in respect of all handloom products irrespective of the fact whether they are fast moving or slow moving. However, abolition of rebate system cannot be envisaged as it may lead to fall in sales, more accumulation of stocks and slackening of production unless the concerned handloom products have already created an impact on the purchasers. It is, therefore, necessary to consider whether the operation and the application of the rebate scheme could be suitably changed. As rebate is presently offered during festive and marriage seasons, the handloom trade does not benefit to the extent possible from the large demand that exists during such seasons. On the other hand, the rebate scheme is not made use of to boost up sales during the off-season when demand is slack. Further, it may not be necessary to offer rebate on sales of handloom products which enjoy a good reputation in the market on account of their durability and designs. In this context, it would be worthwhile to mention that some of the handloom products are very popular with the consumers even without rebate. The Group is, therefore, of the view that firstly it may not be necessary to offer rebate on all the handloom products and secondly it would be sufficient if rebate is extended to those products whose sales need to be boosted up. It should be possible for every SHDC to use discretion and decide on the basis of its experience when to hold rebate sales and on which items of production to offer rebate and upto what extent, taking into account the overall profitability of such sales. The Group, therefore, suggests that while the Government of India may continue to assist the handloom industry under the rebate scheme, the assistance which is now provided at 20 per cent of the cost of products sold with rebate may be converted into 10 per cent grant on the value of total sales made during a year and an incentive grant in respect of the incremental sales made during the year. The amount of grant need not be related to the amount of rebate actually given by the SHDC and should, therefore, be treated as an incentive towards making the SHDC market oriented for selling its products on the basis of their quality, appeal to consumer taste etc. The Group feels that such a change may bring about a change in attitude at the level of SHDCs in respect of sale policy and there would be more emphasis on better production, prompt marketing and reduction in infructuous cost of storage. The system of providing grant on sales throughout the year would enable the SHDCs to develop a suitable marketing mechanism for boosting up of their sales. They may also have the freedom to fix the sale prices of handloom products depending on quality inasmuch as the fast moving items will be sold as per their pricing policy and the slow moving ones will be priced at lower rates in order to attract demand for them. A part of the amount of grant on sales could also be utilised by SHDCs for funding the schemes of assistance to weavers covered by them. As the SHDC gathers strength, it would be able to pass on the benefit of its strength to weavers under its fold through larger conversion charges, better price for products etc.

4.19 In supplementing the efforts of SHDCs in the area of marketing, the Group feels that the National Handloom Development Corporation will have to play a crucial role in exploring avenues for expanding sales of handloom products. Presently, the State Handloom Development Corporations are faced with financial constraints in hiring/acquiring land and buildings for opening their show-rooms and emporia in the metropolitan cities and major urban centres in view of cost escalation. In such a situation, a national level organisation like NHDC should bestow its attention in this direction. The Group suggests that with the strength and support of the Government of India, the NHDC should set up handloom complexes in all major cities in the country where reputed brands of handloom fabrics produced by the co-operative sctor and SHDCs all over the country should be displayed for sale throughout the year. This arrangement would, on one hand expand the market considerably and on the other, help SHDC in establishing an extensive market net-work for its products. This will also facilitate the consumers to make purchases of handloom products of their taste at a single window throughout the year.

4.20 During field visits, the Group observed that the handloom cloth produced by SHDCs are mostly confined to items like sarees, dhoties, lungies etc. As regards other items like shirting, dress material, etc. their share is very marginal. The Group, therefore, suggests that SHDC should resort to product diversification by planning and developing designs to meet the consumers' demand for different types of fabrics. The revised rebate scheme as recommended by the Group can help to bring about such change.

4.21 In the sphere of international markets, the Indian handlooms are having good demand. But, in view of increasing competition from other developing countries, there is a need for high degree of quality control and product innovation. Colours and dyes used in India reportedly are not always fast. Printing of fabrics is not found to be uniform and of desirable standard. Importers are now looking forward to supplies from countries like Taiwan, Republic of Korea and Indonesia. With a view to arresting this trend, the Group stresses the importance of quality control and suggests that the SHDCs, which are implementing Export Production Projects, should step up their technical supervision to ensure quality control of their products. In the area of product innovation, the Group urges the need for SHDCs to introducing new designs and products matching the changing trend of export market. This, in turn, may call for the development of an appropriate marketing intelligence system. The National Handloom Development Corpporation should help SHDCs in this field.

4.22 As a measure for expanding market for handloom fabrics, certain state governments like Andhra Pradesh, Kerala and Tamil Nadu have a system whereby their employees are given an advance to purchase their handloom cloth requirement from co-operatives or State Handloom Development Corporations. Under the system, the employer authorises co-operatives/SHDCs to sell goods to their employees equivalent to the amount of advance and they are being reimbursed the sale proceeds in settlement of bills. The amount of advances so granted is being recovered from the employees' salaries in instalments. In this context, the Group suggests that similar system should be introduced by other State Governments, Central Government establishments, nationalised banks, insurance companies and other public sector undertakings, to boost up sales of handlooms. Similarly, purchases to be made by these institutions and agencies towards uniforms, linen, liveries etc. can be preferably of handloom cloth. The Goverment of India may consider implementing such a decision at their own level and advising the State Governments and other institutions accordingly.

CHAPTER V

BANK CREDIT TO STATE HANDLOOM DEVELOPMENT CORPORATIONS

5.1 The major task assigned to the Working Group is to ascertain the loan and working capital requirements of the State Handloom Development Corporations from banks for assisting handloom weavers outside the coopérative fold. The following table shows the position of resources of various state handloom development corporations vis-a-vis their production and sales during 1982-83 and 1983-84:

(Rs crores)

	1982-83	1983-84
Share capital	46.66	51.90
Borrowings from Governments	24.28	23.86
Borrowings from banks	12.69	14.57
Value of yarn supplied	32.86	41.51
Value of production	79.25	94.15
Value of sales	94.97	115.97

5.2 It will be seen that bank finance constituted a little more than 13 per cent of total resources available with the corporations and formed about 15 per cent of the value of production and 13 per cent of the value of sales. These percentages will go down if the figures of bank finance raised by the Tamil Nadu Handloom Development Corporation which is engaged in providing only credit to weavers and does not arrange for production or sale of handloom cloth, are excluded or the figures of production etc. by the weavers financed by them are added. The bank finance availed of by other SHDCs showed marked variations and did not indicate any cognizable relation to the latter's production and sales turnover. While the proportion of bank finance to production ranged from 3% to more than 100%, the percentage to sales turnover ranged between 3 and 51. As the sales turnover of the corporations included the sales of finished goods procured from weavers/ agencies, not covered by their own production units, the percentage of bank finance to sales turnover shows undue divergence. Obviously there has been persistent demand from the corporations that funds available from the banking sector are too small, they are not related to their needs and they are costly. These views were expressed even during the discussions of the Working Group with the representatives of the corporations and during the field visits. A complaint was also voiced that unlike in the cooperative sector there is no well defined scheme with commercial banks for financing state handloom development corporations. This has led to a situation wherein the commercial banks apply varying norms for financing the corporations particularly in regard to assessment of working capital requirements, margin stipulation, rate of interest, security, repayment schedule, etc. This divergence was sometimes found to exist even where the same bank financed two or more corporations.

Assessment of working capital

5.3 The working capital requirements of SHDCs are broadly assessed by commercial banks on the basis of past actuals and projected turnover, level of inventory etc. Some of the bigger banks like the State Bank of India follow the Tandon Committee's second method of lending under which the corporation has to provide a minimum margin of 25 per cent in the form of current assets like raw material, stock in trade, finished products, etc. out of its long term funds i.e., owned funds plus long term borrowings. Again, the inventory holding is to be calculated as 2 months' consumption for raw material, 2 1/4 months' cost of sales for finished goods and receivables and 3/4 months' cost of production for stock in process. Other banks seem to follow their own norms based on their experience with corporations, the number of looms under them etc. In the cooperative sector, the working capital requirements of primary weaver's societies are assessed at 40 per cent of the anticipated production during the year (production during the previous year plus 20 per cent towards expected increase) provided the sales during the previous year are atleast 60 per cent of the production. Where sales are less, the limit is to be reduced proportionately. However, in the case of newly organised societies or dormant societies to be activised, credit requirements are assessed for a period of 2 years on the basis of number of active looms, multiplied by the scales of finance per loom fixed by the NABARD. The scale which was originally fixed by the Reserve Bank of India at Rs 300 per loom in the late fifties has been revised both by the Reserve Bank and by the NABARD after its taking over these functions, from time to time keeping in view the cost structure, prices etc. The present scale for cotton handloom is Rs 3000 per loom and for silk and other varieties these scales are higher. As pointed out earlier, production of handloom cloth is a continuous process on a day to day basis failing which the individual does not get his income for that day. On the other hand, about 70 to 80 per cent of sales take place during the rebate period. There is, therefore, no alternative for the SHDCs but to hold heavy inventory of finished goods during the major part of the year. As one of the major objectives of SHDC is to provide continuous employment to weavers throughout the year, the scope of regulating production in conformity with the period of sales is just not available at present and is also not possible. The Group therefore feels that the Tandon Committee norm for inventory holding should be dispensed with by commercial banks. The credit facilities afforded by cooperative banks to weavers' apex and primary societies take note of this fact. The functions of SHDCs are akin to weavers' societies inasmuch as they purchase yarn and arrange for its supply to weavers and also arrange for marketing of finished product through sales outlets set up for the purpose. The Group, therefore, felt that credit facilities to SHDCs from commercial banks should also take into account the production and sale pattern of handloom industry and offer credit facilities on realistic terms to SHDCs so that they can carry on their operations smoothly. The Group consulted various SHDCs as also banks in the matter and came to the conclusion that the working capital requirements of SHDCs would be adequately met if these are fixed on the basis of 25 per cent of anticipated value of production plus 40 per cent of anticipated value of sales during the year. The anticipated production and sales during the year may be arrived at by an addition of 20 per cent over the value of production and sales during the previous year (July-June). The banks may if found suitable for themselves and the SHDCs, grant two separate credit limits i.e. one for meeting production requirements and another for marketing requirements of SHDCs on the basis of above norms. Further, there should be a half yearly review of credit limits sanctioned and made use of for considering revision, if necessary.

Margin

5.4 It is observed that the financing banks require the SHDCs to provide a margin upto 50 per cent of the credit limits sanctioned to them. The guarantee of the concerned State Government is also insisted upon. In the cooperative sector, the margin requirement is only 10 per cent in addition to the contribution to the share capital of the financing institution at 2 1/2 per cent of borrowings. There is no reason why the corporations which are expected to play the same role as the co-operatives in assisting weavers in ameliorating their economic condition and at the same time helping the country in providing cheap Janata cloth for the weaker sections should be treated on a separate footing. It is also true that handlooms have a commendable share in export earnings through export of handloom cloth and deserve concessional approach as is shown for other types of export finance. It has also to be kept in view that handloom is a small scale industry and the individual weaver if he is to borrow directly from the commercial bank could become eligible for the benefit of nil margin and there is no reason why a service organisation like SHDC should not be given liberal terms. In this connection it has to be accepted that if the banks are to deal with individual weavers, the work load and the servicing cost would be tremendously high. It is, therefore, necessary for banks to look upon the State Handloom Development Corporations not merely as business organisations but also as service organisations. At the same time it is recognised that the banks cannot afford to treat the requests for finance in a facile manner and have to ensure that funds borrowed by constituents are generating production and not getting locked up in unsaleable assets. Keeping these aspects in view, the Working Group feels that banks may treat State Handloom Development Corporations on par with small scale industry for the purpose of providing margin for raising working capital loans, for providing such services as supply of yarn, dyes, chemicals, etc. to weavers under their fold, provision of dyeing and bleaching facilities and sale of cloth produced by them. Under the guidelines issued by the Reserve Bank of India, the banks have been advised to prescribe a margin of 15 to 25 per cent in respect of small-scale industries seeking credit limits of more than Rs. 25000 depending upon the purpose and quantum. As weavers in general form part of the weaker section of the society and SHDCs are specially set up for the betterment of weavers outside the cooperative fold, the Group recommends that banks may prescribe a uniform margin of 15 per cent in respect of working capital limits provided to SHDCs irrespective of the amount of limit. There should also be no insistence on government guarantee unless it is found that there are several adverse features in the working of the SHDC such as non-availability of audited accounts, excessive holding of unsaleable stock, absence of service functions like supply of yarn and other raw material and marketing of finished products, payments of low conversion charges to weavers, etc.

Rate of interest

5.5 In terms of Reserve Bank's directive of 28 February 1983, scheduled commercial banks have been advised to charge interest at 12.5 per cent per annum in respect of advances to state-level corporations. However, data received by the Working Group indicated that a few corporations like Jammu & Kashmir, Madhya Pradesh, Nagaland, Orissa and Punjab had to pay interest at 13.50 to 19.00 per cent per annum to their bankers. As payment of a higher rate of interest than the stipulated one is causing added strain on the financial position of the above corporations, the Group considers necessary that the Reserve Bank of India should immediately look into the circumstances under which the concerned banks have charged higher rates than that stipulated and if found necessary, issue suitable instructions to the banks concerned so that their lending rates to these corporations are brought in line with the stipulations laid down.

5.6 Many corporations have represented to the Working Group that even the stipulated rate of interest at 12.5 per cent per annum is on the high side as compared to the interest rate structure as obtaining in the cooperative sector as the functions and activities undertaken by primary weavers' societies and Apex weavers' societies are similar to those of the State Handloom Development Corporations. At present, the cooperative banks charge interest at 7- 1/2 per cent per annum to the primary weavers' societies and Apex societies and they receive an interest subsidy of 3 per cent from the concerned state government to reimburse the operational costs in lending to the weavers' societies at a rate lower than normal lending rate. The Group feels that in view of similarity of objectives and operations of weavers' cooperatives and corporations and the need to ultimately assist the poor weaver, the concerned state governments should provide subsidy to the concerned commercial bank to enable it to charge the corporation the lower rate of 7 1/2 per cent instead of the stipulated rate of 12-1/2 per cent.

Security and cover for borrowings

5.7 Presently, hypothecation cash credit limits are sanctioned by the commercial banks to SHDCs to meet their working capital needs against the security of stocks of raw materials and finished goods. The corporations are permitted to draw up the drawing limit, computed on the basis of the value of stocks less stipulated margin or the sanctioned limit whichever is lower. On a comparison with the cooperative sector, it is learnt that certain items like rebate claims due from Government, credit sales effected to Government establishments are being reckoned for cover purposes by the cooperative banks, in addition to the stock of raw material and finished goods. The above facility affords enhanced drawing power to the primary weavers' societies and Apex societies without compelling their members to contribute additional funds by way of share capital etc. for providing adequate cover. The Group noticed that some of the corporations like Kerala, Andhra Pradesh are effecting credit sales to Government departments and in view of numerous formalities, there is delay in the settlement of bills by the Government establishments. SHDCs are also experiencing long delays in getting their rebate claims settled by the Cetral/ State Governments. As the funds involved in the credit sales as well as rebate claims are sizeable, the inflow of cash is rather interrupted frequently. On the other hand, the payments though delayed are assured. To obviate this situation, the Working Group recommends that commercial banks should take into account items viz., credit sales to Government Departments and pending rebate claims as certified by the Government, the recoveries of which are assured but delayed, as cover for the borrowings of SHDCs, in addition to the stock-in-trade, as in the case of cooperative sector.

5.8 Alongwith the State Handloom Development Corporations it is necessary to consider the credit needs of the National Handloom Development Corporation and the terms and conditions on which bank finance is available to enable it to carry out its operations and achieve its objectives. As mentioned in Chapter II, the functional responsibilities entrusted to the corporation are procurement and distribution of hank yarn, dyes and chemicals and promotion of handloom sales by opening marketing outlets. As pointed out in this report earlier, the role of NHDC in the sphere of yarn distribution will have to be supplementary to that of the SHDCs.

However, in the absence of any organisational arrangement for supply of dyes and chemicals, the role played by NHDC in making bulk procurement of these materials from reputed manufacturers and their distribution at reasonable prices to the State Level Apex Cooperative Societies and SHDCs should be recognised as service to the weavers who are covered by the cooperatives and corporations. The Group recommends that this activity should form part of priority sector lending and be eligible for bank finance on concessional terms provided the corporation continues to carry these operations as service and does not make any profit out of the same. If the credit norms as suggested in this report are adopted by the banking institutions, there would be uniformity in regard to terms and conditions for financing SHDCs, mode of assessment of credit requirements and pattern of financial assistance.

5.9 The liberalised credit as suggested by the Group would place sizeable quantum of funds at the disposal of SHDCs, which would facilitate them in achieving their objectives of helping the weaver community to acquire improved assets and with upgradation of skills and technology, improve and increase production which would bring in higher income, lesser unemployment and alleviation of poverty. It is, therefore, necessary to ensure that the income of an average weaver increases to Rs 15 to Rs 20 per day so that the family income, assuming two persons in a family working, would immediately increase on an average to at least Rs 600 per month on the basis of 250 to 300 days of active work and help the family to go above the poverty line. The income structure which is covered by the term 'making charges' available to the handloom weavers associated with the State Handloom Development Corporations will have to be accordingly refixed as part of this package of concessions. The Government of India and the State Governments should evolve a suitable mechanism to enable the financing institutions in linking their credit support with the suggested objective. The higher level financing institutions like NABARD should also orient their policies on similar lines.

Bank's nominee on the Board

5.10 It has been voiced by many corporations that the bankers are not appreciative of the peculiar phenomenon of their functions and working which are dissimilar to those of any manufacturing/trading undertaking. The bankers apply the same norms and financial disciplines to SHDCs as in the case of other corporate bodies. In order to bring about a rapport between bankers and SHDCs, the Group feels that it may be necessary to nominate a fairly senior representative of the financing institution on the board of management of each State Handloom Development Corporation. This would pave the way for better understanding and appreciation of the working of SHDCs by the bankers. This arrangement would also afford SHDCs an opportunity to share the expertise of the bank executives in toning up their financial management. Such an arrangement exists in the West Bengal Handloom and Powerloom Development Corporation Ltd. where an executive of United Bank of India has been nominated on its Board. The Group recommends that other corporations too should introduce this arrangement.

Audit

5.11 The Group's discussion with bankers revealed that one of the major constraints faced by the financing institutions is that SHDCs are not able to submit the latest financial statements duly audited in the absence of which any meaningful projection could hardly be arrived. The inability of the corporations to furnish authenticated financial particulars to the banking system also constitutes a serious inhibiting factor for extending adequate financial accommodation to them. Since financial statements of the borrowing constituents form the basic requirements of the bankers for appraisal of any credit proposal, the financing institutions cannot be expected to waive this requirement and accept the outdated financial data in lieu of the latest ones. It is, therefore, a matter of prime necessity that SHDCs should improve their housekeeping and ensure that their books of accounts are maintained up-to-date and audited promptly. Once this is accomplished, the Group feels that it would facilitate the financing institutions to extend adequate credit to the State Handloom Development Corporations.

5.12 In terms of Section 619 of the Companies Act, 1956, the auditor of a Government Company shall be appointed or reappointed by the Central Government on the advice of the Comptroller and Auditor General of India. As State Handloom Development Corporations are Government Companies by virtue of definition given under Section 617 of the Act ibid, the procedure as obtaining now is that the Chartered Accountants are appointed by the Company Law Board on the advice of the Comptroller and Auditor General of India to conduct statutory audit of these corporations. In terms of Section 210 of the Act ibid, the board of directors of the company shall within a period of 6 months, lay before the annual general body, a balance sheet and profit and loss account of the company. The position regarding statutory audit of the State Handloom Development Corporations is far from satisfactory since audit in the case of many corporations is in arrears and only two out of 21 corporations have completed statutory audit for 1983-84. The need for timely completion of statutory audit can hardly be over-emphasized as the financial scrutiny is a prime requirement for any corporate body to ensure its sound financial health and operational efficiency. It is understood that in some of the corporations like Bihar, the accounts have been completed only upto 1978-79 and no proforma balance sheet/profit and loss account have been drawn up for the subsequent years, as accounts are in arrears. Arrears in completion of accounts are reported in a few other corporations also and this is reported to be the main reason for the undue delay in completion of statutory audit. The delay in the statutory audit and consequential delay in submitting audited acounts and audit report is a major inhibiting factor in the extension of credit facilities by banks to the State Handloom Development Corporations. The delay also affects the proper house keeping of the corporations, denies their management the availability of up-to-date authenticated financial indicators and leads to their inability for systematic perspective planning. The Group views the inordinate delay in the conduct of audit in many of the SHDCs as a matter of serious concern and recommends that every effort should be made by each SHDC to clear the backlog and keep the books of account updated so that the work of statutory audit is facilitated.

Cost of establishment

5.13 An attempt was made by the Group to study the income and expenditure pattern of the corporations for the last few years. It is observed that the expenditure on establishment viz., cost of establishment is high in almost all the corporations. Keeping the ratio of cost of establishment to sales as an indicator, the position of the corporations wherever it is more pronounced, is furnished below:

Name of State/Region	cost of establishment as percentage of value of sales		
	1981-82	1982-83	1983-84
Gujarat	29.75	42.16	23.09
Haryana	37.95	41.09	51.17
Karnataka	15.92	17.70	16.39
Kerala	21.06	15.34	19.01
Maharashtra	16.44	14.16	17.25
North Eastern	55.60	40.35	N.A.
Orissa	22.34	18.35	16.45

5.14 It is understood that no specific norms have been laid down to denote reasonable ratio of cost of establishment to sales in respect of organisations like State Handloom Development Corporations. In the absence of any definite norms, it is only possible to make inter-organisation comparison. In this context, the performance of the SHDCs having good track record as revealed by their profit earnings continuously over a period of years and that too, in a consistent manner, will have to be taken as a standard for reckoning the reasonableness of the establishment expenditure in relation to sales. Applying the above guiding factor, it is observed that Uttar Pradesh and West Bengal Corporations had made profit consistently for the last three years. While the percentage of cost of establishment to sales in respect of Uttar Pradesh Corporation worked out to around 10 during the period of 2 years (i.e.) 1982-83 to 1983-84, the position in respect of West Bengal Corporation indicated that such percentage worked out to 17 during 1981-82 and it came down to around 12 during 1982-83 and 1983-84. Based on the performance of the above two corporations, the Group feels that the percentage of cost of establishment to sales of a State Handloom Development Corporation should be kept low as the corporations are basically service organisations for the benefit of the weavers and hence the benefits of various concessions must go to the latter to raise their living standards and reduce unemployment as well as under-employment.

5.15 It is now an accepted fact that an efficient system of costing is an essential aspect of modern management of any business undertaking for securing business stability. The organisation of an undertaking has to be so controlled that the desired volume of turnover is secured at the least possible cost. The Group, therefore, suggests that SHDCs should introduce costing system which would indicate where economies may be sought, waste eliminated and operational efficiency increased. The board of management of each SHDC should also review its expenditure pattern and give directions to reduce the expenditure on such areas where they deem necessary. The board can enforce budgetary controls after making suitable budget allocation to each area of corporation's working or each department of the corporation, as the case may be. Such an exercise to control the expenditure through budgets will arrest the rising trend of the cost of establishment of the corporations and thereby regulate the control over their financial management.

CHAPTER VI

INFRASTRUCTURAL FACILITIES TO INDIVIDUAL WEAVERS - A CLUSTER APPROACH

6.1 During the Seventh Five Year Plan, SHDCs are expected to cover 3.47 lakh looms as against the existing coverage of 1.47 lakh looms and they have, thus, to cover in the next five years twice the number of looms with them at present. While many SHDCs are reported to continue the implementation of intensive handloom development projects and export production projects which were introduced during the Fifth Five Year Plan period, some of the corporations have not made planned attempts to cover weavers who are outside the co-operative fold. It is well known that apart from weavers who are covered either by the co-operatives or the State Handloom Development Corporations, there are weavers who stay in large or small clusters and who have to depend, in the absence of availability of any organised set up to provide credit and yarn and other requirements and facilities for marketing of the cloth produced by them, on mahajanas and master weavers. The Reserve Bank of India had in the past advised that credit requirements of individual weavers who could not be organised into co-operative societies might be taken care of by the Primary Agricultural Credit Societies. However, this advice has not proved of much help to weavers. State Handloom Development Corporations too have not been able to open branches and depots in all the areas in the state where there are clusters of weavers on account of administrative and other problems. The major problems faced by such individual weavers in the unorganised sector may be identified as inadequate supply of yarn, dyes and chemicals at reasonable prices, non-availability of timely credit, lack of technical input and absence of a suitable marketing infrastructure. It is therefore, essential for the SHDCs to undertake programmes with cluster approach wherein all the inputs for development could be provided in time and adequate measure. The basic concept of the cluster scheme is that while development of handloom industry through co-operative organisations is a continuing policy and process, it is necessary and possible to achieve rapid progress through intensive and concentrated efforts in identified clusters of unorganised weavers wherein co-ordination, supervision and monitoring is rendered easier and quick results achieved.

6.2 In the formulation as well as implementation of these cluster schemes, the State Handloom Development Corporation should as a first step, identify the villages where there is a concentration of weavers in the unorganised sector. Thereafter, a quick survey of the identified villages has to be conducted to elicit and record information relating to (i) size of loom holding, (ii) types of looms, (iii) types of house/worksheds, (iv) present placement of the weaver for employment, (v) present level of efficiency and earnings, (vi) indebtedness, etc. The above profile of the weavers would facilitate formulation of model scheme of their development.

6.3 The contents of coverage of the model cluster schemes could be broadly indicated as under:

Coverage

A cluster should include a minimum of 100 looms at one place or within a circle of 5 to 10 kms. However, the actual size of the cluster and its appropriateness to be covered by the corporation should be decided by the latter keeping in view the dispersal of looms, geographical conditions, operational efficiency and financial capability of SHDC etc.

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The scheme should, inter-alia, envisage arrangements for supply of yarn, making available facilities for dyeing and printing of cloth, arrangements for marketing of finished products and availability of bank credit to the individual weavers, wherever this becomes necessary. Presently, the banks are financing individual weavers under Integrated Rural Development Programme, Differential Rate of Interest Scheme and normal lending programmes. The banks have stated that no specific norms are followed by them for assessing the working capital requirements of the weavers. The per-loom scale of finance fixed by them vary from bank to bank. It is reported that the banks fix the scale of finance taking into account the value of yarn held in one warp, wage earnings per day and sales realisation period. The interest rate charged by the banks is 10 per cent in respect of weavers covered under IRDP and backward areas, 4 per cent in the case of weavers financed under DRI Scheme and 12 per cent in respect of other weavers financed under normal lending programme. The Working Group had detailed discussions with the financing banks in the various states and the problems faced by them in financing the individual weavers are reported as under:

(i) There are no regular arrangements for supply of raw material to weavers and disposal of their finished products with the result that they are at the mercy of local dealers who purchase their products at throw away prices.

(ii) It is difficult to ensure the end-use of credit.

(iii) The recovery of advances is slow in the absence of any tie-up arrangement with the development agencies for weavers like SHDCs, etc.

6.4 The Working Group considered the operational problems faced by the financing institutions and viewed that the supervision and monitoring of advances made to individual weavers are really difficult for the banks owing to staff constraints as well as the wider geographical area to be covered. In this context, the Group feels that there should be a tie-up arrangement between banks and SHDCs in financing the individual weavers which would facilitate ensuring proper utilisation of credit as also recovery of the same. Keeping this in view, the Group suggests the following arrangement for financing the individual weavers as well as for providing infrastructural facilities to them.

(i) The SHDCs will have to identify the weavers and assess their financial requirement taking into account the number of looms, number of weaving members of the family, etc. The financial requirement of individual weavers may be assessed on the basis of per-loom scale of finance fixed by NABARD from time to time. Thereafter, the SHDCs will help the weavers in filling up the loan applications for the amount so assessed and sponsor the same to the nearest bank branch.

(ii) The bank branches are expected to consider the loan proposals sponsored by SHDCs and finance the weavers under IRDP, DRI scheme and normal programmes depending upon their eligibility based on income and other criteria stipulated under each programme. Refinance from NABARD is available to banks in respect of loans provided under IRDP and composite loans to weavers. The SHDC will act as a coordinating agency between the banks and the implementing agencies like District Rural Development Agencies, District Industries Centre, etc. and get the weavers the benefit of training through TRYSEM etc.

(iii) The loan amount will not be paid in cash directly to the individual weavers. Instead, the SHDC should supply to the weaver yarn and other inputs upto the loan limit fixed for him by the bank and should make necessary entries in the loan pass book to be supplied by the bank to the weaver. The SHDC should in turn obtain acknowledgement from the weaver for receipt of yarn and get itself reimbursed from the bank to the extent of value of the yarn so supplied.

(iv) The responsibility of marketing the finished products of these weavers should be vested with SHDCs which should also ensure recovery of loan and interest instalments out of the sale proceeds to be paid to the weaver.

6.5 As the weavers are spread out in the remote areas, SHDCs may face the problem of distributing the inputs and collection of the finished products on a regular basis from the weavers. To overcome this situation, the Group suggests two alternatives for adoption. The SHDCs may open depots in the vicinity of clusters of weavers for storing the inputs so that they could be supplied regularly to the weavers. Likewise, the depots will undertake collection of the finished products of the weavers regularly and send them to main sales depot of the corporations at periodical intervals. As the opening of depots would involve considerable financial outlay, many SHDCs may not be in a position to adopt this arrangement. As an alternative, the SHDCs may try "mobile depot concept" under which mobile vans may be engaged and sent to the clusters of weavers at regular intervals for distribution of inputs as also for collection of finished products. The banks may not have difficulty in extending credit to SHDCs for purchase of delivery vans/mobile vans as they are covered under NABARD refinance schemes.

6.6 The Group feels that the arrangements, as suggested above, would provide an organisational media for channelising credit and other inputs like yarn, dyes and chemicals to the weavers who are presently at the mercy of money lenders and private traders. The proposed tie-up arrangement would also induce the financing institutions to extend credit on a larger scale and enlarge coverage of individual weavers. Further, this approach would open up an institutional framework for supply of inputs to individual weavers as also their marketing of finished products.

6.7 In adopting the above approach, SHDCs should formulate a perspective plan setting annual targets for organising the weavers in clusters and extending the requisite infrastructural facilities for their betterment. In this context, the Group feels that SHDCs should take into account the individual targets for the VII Five Year Plan set by the Government of India to each SHDC which are indicated in the Annexure 2. Each SHDC should draw up a phased programme based on its existing potential for development, financial capability and operational efficiency. Having set the realistic target, the Group expects that each SHDC should take concerted efforts in fulfilling the target every year. The Board of Management of each SHDC should make a quarterly review of the progress in the implementation of this programme of amelioration of individual weavers in the unorganised sector. The Director of Handlooms should also extend necessary governmental assistance to SHDCs for the successful implementation of the programme.

6.8 Summing up, the cooperativisation of weavers is a long term strategy but at the same time, a time consuming process. The State Handloom Development Corporations which are specially set up for the betterment of weavers outside the cooperative fold, should rise to the occasion by adopting measures that would assure regular supply of yarn to the individual weavers and a coordinated off-take of their cloth. Given the right backing and necessary infrastructural facilities, the Group feels that the individual weavers in the unorganised sector who form a large chunk in the handloom industry would be able to get full time work which would, in turn, give them a reasonable wage throughout the year. Once this is accomplished, the Group feels that the purpose and objective of the establishment of State Handloom Development Corporations for the development of handloom industry at large and weavers outside the cooperative fold in particular would be successfully achieved.

CHAPTER VII

SUMMARY OF RECOMMENDATIONS

1. Handloom sector occupies a place of prominence in the rural economy in many parts of our country. However, most of the weavers continue to live below the poverty line. The Group, therefore, felt that credit supply for financing handloom weaving industry had to be related to help this weaker section to acquire assets from which, with application of modern technology, production could be increased leading to higher income, lesser unemployment and alleviation of poverty. (1.6)

2. The basic raw material for the handloom sector is yarn, produced by spinning mills and composite mills and delivered in hank form. The availability of hank yarn to the sector continues to fall short of the minimum level fixed by the Textile Commissioner, Government of India. The absence of an organised distribution system also affects the supply and in the open market where prices are governed by market forces, the difficulties of assured supply at reasonable prices get accentuated. It would, therefore, be necessary to take measures not only for increasing the production of hank yarn but also for evolving an organised arrangement for its distribution to the handloom sector. (4.2, 4.4, 4.5)

3. With a view to increasing production of yarn, the proposals submitted by the State Governments to the Government of India for setting up of co-operative spinning mills will have to be expeditiously considered and adequate number of mills sanctioned so that increased supply of yarn would become available in the early part of Seventh Plan period. The Government of India may also consider as a condition of sanction that the hank yarn to be produced by these mills would be supplied to SHDCs and the co-operative sector only. Such an action on the part of the Government of India should be supported by the banking sector including NABARD and the IDBI which will be providing term finance and the commercial and co-operative banks which may provide working capital.(4.5)

4. Alongwith increased production, the civil deliveries of hank yarn have to be regulated so as to ensure adequate supply to handloom industry. (4.6)

5. As it is not possible to reserve hank yarn quota for being made available by spinning mills to the handloom sector, alternatives have to be found for direct linkage between SHDCs and spinning mills through an appropriately structured yarn distribution system. (4.6)

6. The Group proposes that the arrangements for regular and organised distribution of yarn should consist of adequate planning of the yarn requirement by SHDCs, its production by mills and its distribution through the organisational set up of SHDCs by NHDC. Each SHDC should estimate well in advance its annual requirement of yarn, count-wise, taking into account its production plan and weavers' preference. These data should be made available to the National Handloom Development Corporation sometime in October every year when cotton crop starts coming to the market and cotton marketing organisations get themselves preparing for negotiating sale of cotton bales to mills and their agents. The corporation may jointly with the support of Development

Commissioner (Handlooms) of the Government of India hold a meeting of representatives of spinning mills, the handloom organisations, the Government of India and the State Governments to finalise the programme for production of hank yarn, its distribution to various units, price etc. The allocations so made should be accepted and honoured both in respect of quantity to be produced and supplied and the price to be charged for each variety of yarn. The arrangements so made should be reviewed after six months. The orders/ indents as decided at the above meeting should be placed at quarterly intervals directly with the mills along with the expected delivery schedules. (4.6)

7. The Director of Handlooms in each state should, as in the case of Tamil Nadu, co-ordinate the arrangements within the State and in case of difficulty with any private sector mills, the assistance of Indian Cotton Mills Federation may be sought if necessary through the National Handloom Development Corporation. (4.6)

8. To enable spinning mills to maintain their cycle of production and supply of yarn continuously, there has to be an assurance for prompt payments to mills. (4.6)

9. In the interest of handloom industry, sales tax and octroi duty wherever levied on hank yarn should be abolished by the respective state governments. (4.6).

9A. Although NABARD's schemes for modernisation are in operation since December 1983, no SHDC has so far availed of this facility. NABARD may, therefore, examine the reasons/factors therefor and modify the schemes, if necessary. (4.9)

10. Considering the fact that the commercial banking system can take care of the loan requirements of the weavers for modernisation of looms and also that refinance facility is extended by NABARD for the purpose, the Group is of the view that the financial assistance provided by the Government of India to the corporations should be as far as possible, by way of grant/subsidy to the SHDCs for assisting in modernisation of looms held by the weavers instead of loan-cum-subsidy. The assistance so given may be used as seed money/margin to raise required bank credit. This would facilitate wider coverage of weavers requiring financial assistance for modernisation in a shorter span of time. (4.10)

11. A phased programme has to be chalked out by each corporation for modernisation of looms. In this context, it is suggested that to make such programme operational, each corporation may prepare an action plan for modernisation of looms every year, adopting an area approach, with district-wise break-up, in consultation with the State Government and NABARD. The action plans so drawn up may be dovetailed into the District Credit Plans and the Annual Action Plans formulated by the Lead Banks for different districts.(4.10)

12. Viewed in the context of weavers' psychological resistance to innovations, the Group feels that the programme for modernisation of looms will not make much headway unless it is accompanied by a parallel programme for motivation of weavers by providing requisite training for exposing them to modern techniques. A phased programme has to be drawn up for training weavers and compensating them for loss of income during the period. The Government of India

may consider constituting a fund with each SHDC with contributions from the Government of India and the State Governments by budgetary contributions and by the corporations from their incomes before arriving at profit figure. It is also necessary to create infrastructural facility in each SHDC for training the weavers. (4.13)

13. There is a need for more on-the-job training programmes to be conducted by all SHDCs for short duration focusing on weaving techniques and design development. The training programmes should have wider coverage of weavers and they should be so designed to motivate them to adopt modernisation in order to achieve economic viability. To meet the financial requirement of SHDCs in imparting training to weavers, NABARD may consider offering grants from its Research and Development Fund to SHDCs. (4.13)

14. Apart from modernisation of looms and training weavers on improvised looms, the availability of trained personnel in modern commercial techniques with SHDCs to assist their production programmes is another important requisite. The Group emphasises the need to professionalise the service cadres in SHDCs manning middle level management posts connected with marketing, research and design development so that they can be reasonably expected to develop from time to time suitable product mix not only to meet the changing pattern but also create pattern of demand for new varieties and designs of handloom cloth both at home and abroad. As the Development Commissioner for Handlooms, Government of India is implementing a scheme which envisages training of managerial personnel of Apex Societies and SHDCs at National Institutes like Indian Institute of Management, Ahmedabad, etc., the SHDCs should make use of this facility and get their managerial personnel trained so as to have a well-equipped managerial team with them. This will go a long way in enhancing their management capability and operational efficiency. (4.14)

15. As entire rebate is presently consumer oriented and offered during festive and marriage seasons, the handloom industry does not benefit from the large demand which exists during these seasons. On the other hand, rebate scheme is not utilised to boost up sales during off-season when demand is slack. Further, it may not be necessary to offer rebate on sales of handloom products which enjoy a good reputation in the market on account of their durability and designs. The Group recommends that with a view to utilising the rebate scheme to strengthen the handloom industry and also provide benefit to the consumer where necessary, the rebate may be given at the rate of 10 per cent of the value of total sales in a year plus an incentive grant in respect of increase in sales over earlier year and it should be left open to the SHDC to decide the basis to offer rebate, on which items and to what extent. Such a system may bring about a change in attitude at the level of SHDCs themselves in respect of sales policy and there would be more emphasis on prompt marketing and reduction in infructuous cost of storage. Further, the system of offering grant on sales throughout the year would enable the SHDCs to develop a suitable marketing mechanism for boosting up their sales. They may also have the freedom to fix the sale prices of handloom products depending on quality inasmuch as the fast moving items will be sold as per their pricing policy and the slow moving ones will be priced at lower rates in order to attract demand for them. A part of the amount of grant on sales could also be utilised

by SHDCs for funding the schemes of assistance to weavers covered by them. (4.18)

16. In supplementing the efforts of SHDCs in the area of marketing, the Group feels that the National Handloom Development Corporation will have to play a crucial role in exploring avenues for expanding sales of handloom products. The Group suggests that with the strength and support of the Government of India, the NHDC should set up handloom complexes in all major cities in the country where reputed brands of handloom fabrics produced by the co-operative sector and SHDCs all over the country should be displayed for sale throughout the year. This arrangement would, on one hand expand the market considerably and on the other, help SHDCs in establishing an extensive market net-work for its products. This will also facilitate the consumers to make purchases of handloom products of their taste at a single window throughout the year. (4.19)

17. SHDCs should resort to product diversification by planning and developing designs to meet the consumers' demand for different types of fabrics. (4.20)

18. In the sphere of international markets, SHDCs which are implementing Export Production Projects, should step up their technical supervision to ensure quality control of their products. In the area of product innovation, the Group urges the need for SHDCs for introducing new designs and products matching the changing trend of export market. This, in turn, may call for the development of an appropriate marketing intelligence system. The National Handloom Development Corporation should help SHDCs in this field. (4.21)

19. As a measure for expanding market for handloom fabrics, certain state governments like Tamil Nadu, Andhra Pradesh and Kerala have a system whereby their employees are given an advance to purchase their handloom cloth requirement from co-operatives or State Handloom Development Corporations. The Group suggests that similar system should be introduced by the other State Governments, Central Government establishments, nationalised banks, insurance companies and other public sector undertakings, to boost up sales of handlooms. The above agencies/institutions may also consider adopting a policy for purchase of handloom products for supplying dress/uniforms to staff in offices, hospitals, etc. (4.22)

20. As one of the major objectives of SHDC is to provide continuous employment to weavers throughout the year, the scope for regulating production in conformity with sales pattern is just not available at present and is also not possible. The Group is of the strong view that the Tandon Committee norm for inventory holding should be dispensed with by commercial banks and credit should be provided on the basis of production and marketing programme as is done in the co-operative sector. The Group recommends that the working capital requirements of SHDCs should be arrived at on the basis of 25 per cent of anticipated value of production plus 40 per cent of anticipated value of sales during the year. The Group also recommends that the banks may sancton, if it suits the SHDCs, separate credit limits for production and marketing activities. Further, there should be an half-yearly review of credit limits sanctioned and used for considering revision, if necessary. (5.3)

21. The banks may treat State Handloom Development Corporations on par with small-scale industry for the purpose of providing margin for raising working capital for providing directly such services as supply of yarn, dyes, chemicals, etc. to weavers under their fold, provision of dyeing and bleaching facilities and sale of cloth produced by them. As SHDCs are specially set up for the betterment of weaver community outside the co-operative fold, the banks may consider prescribing a uniform margin of 15 per cent. Government guarantee should not be insisted upon unless it is found that there are several adverse features in the working of the corporation. (5.4)

22. Despite the advice given by the Reserve Bank of India, the banks have charged to a few corporations interest at rates varying from 13.50 to 19.00 per cent per annum instead of 12.50 per cent per annum. This Group recommends that the Reserve Bank of India should immediately look into the matter and issue suitable instructions to the banks concerned if found necessary. (5.5)

23. At present, the co-operative banks charge interest at 7 1/2 per cent per annum to the primary weavers' societies and Apex Societies and they receive an interest subsidy of 3 per cent from the concerned state governments to reimburse their operational costs in lending to the weavers' societies at a rate lower than the normal lending rate. The Group feels that in view of similarity of objectives of weavers' co-operatives and handloom development corporations, the concerned state governments should provide subsidy to the bank to enable it to charge to the corporation the lower rate of 7 1/2 per cent instead of normal rate of 12 1/2 per cent. (5.6)

24. Commercial banks may take into account while calculating drawing power, items like, credit sales to Government departments and pending rebate claims as certified by the Government, the recoveries of which are assured but delayed, as cover for the borrowings of SHDCs, in addition to the stock-in-trade, as in the case of co-operative sector. (5.7)

25. The role played by NHDC in making bulk procurement of dyes and chemicals from reputed manufacturers and their distribution at reasonable prices to the State level Apex Co-operative Societies and SHDCs should be recognised as service to the weavers and should be treated as priority sector activity for the purpose of bank finance. Accordingly, credit should be made available on concessional terms provided the corporation carries on these operations as service and does not make any profit out of the same. (5.8)

26. The liberalised credit as suggested by the Group would place sizeable quantum of funds at the disposal of SHDCs, which would facilitate them in achieving their objectives of helping the weaver community to acquire improved assets and with upgradation of skills and technology, improve and increase production which would bring in higher income, reduce unemployment and alleviate poverty. It is necessary to ensure that the income of an average weaver increases to Rs. 15 to 20 a day so that the family income, assuming two persons in a family working, would immediately increase to an average of at least Rs. 600 per month and help the family to go above the poverty line. These earnings which are given as 'making charges' to the handloom weavers associated with the State Handloom Development Corporations will have to be accordingly

refixed as part of the package of concessions. The Government of India and the State Governments should evolve a suitable mechanism to enable the financing institutions in linking their credit support with the suggested objective. The higher level financing institutions like NABARD should also orient their policies on similar lines (5.9)

27. In order to bring about a rapport between bankers and SHDCs, the Group feels that it may be necessary to nominate a fairly senior representative of the financing institution on the board of management of each State Handloom Development Corporation. This would pave the way for better understanding and appreciation of the working of SHDCs by the bankers. This arrangement would also afford SHDCs an opportunity to share the expertise of the bank executives in toning up their financial management. Such an arrangement exists in the West Bengal Handloom and Powerloom Development Corporation Ltd. where an executive of the United Bank of India has been nominated on its board. The Group recommends that other corporations too should introduce this arrangement. (5.10)

28. The delay in the statutory audit and consequential delay in submitting audited accounts and audit report is a major inhibiting factor in the extension of credit facilities by banks to the State Handloom Development Corporations. The delay also affects the proper house keeping of the corporations, denies their management the availability of up-to-date authentic financial indicators and leads to their inability for systematic perspective planning. The Group views the inordinate delay in the conduct of audit in many of the SHDCs as a matter of serious concern and recommends that every effort should be made by each SHDC to clear the backlog and keep the books of account updated so that the work of statutory audit is facilitated. (5.11 and 5.12)

29. The Group feels that the percentage of cost of establishment to sales of a State Handloom Development Corporation should be kept low as the corporations are basically service organisations for the benefit of the weavers and hence the benefits of various concessions must go to the latter to raise their living standards and reduce unemployment as well as under-employment. (5.14)

30. It is now an accepted fact that an efficient system of costing is an essential aspect of modern management of any business undertaking for securing business stability. The organisation of an undertaking has to be so controlled that the desired volume of turnover is secured at the least possible cost. The Group, therefore, suggests that SHDCs should introduce costing system which would indicate where economy may be sought, waste eliminated and operational efficiency increased. The board of management of each SHDC should also review its expenditure pattern and give directions to reduce the expenditure on such areas where they deem necessary. The board can enforce budgetary controls after making suitable budget allocation to each area of corporation's working or each department of the corporation, as the case may be. Such an exercise to control the expenditure through budgets will arrest the rising trend of the cost of establishment of the corporations and thereby regulate the control over their financial management. (5.15)

31. Apart from weavers who are covered either by the co-operatives or State Handloom Development Corporations, there are weavers who stay in large

or small clusters and have to depend on traders and master weavers for obtaining yarn and other requirements as well as for marketing of cloth produced by them. The major problems faced by such individual weavers in the unorganised sector are inadequate supply of yarn, dyes and chemicals at reasonable prices, non-availability of timely credit, lack of technical input and absence of a suitable marketing infrastructure. It is, therefore, essential for the SHDCs to make intensive and concerted efforts to adopt cluster approach in bringing the unorganised weavers in their fold. (6.1)

32. In formulation as well as implementation of cluster schemes, the State Handloom Development Corporation should as a first step, identify the villages where there is a concentration of weavers in the unorganised sector. Thereafter, a quick survey of the identified villages has to be conducted to elicit and record information relating to (i) size of loom holding, (ii) types of looms, (iii) types of house/worksheds, (iv) present placement of the weaver for employment, (v) present level of efficiency and earnings, (vi) indebtedness, etc. The above profile of the weavers would facilitate formulation of model schemes for their development. (6.2)

33. A cluster should include a minimum of 100 looms at one place or within a circle of 5 to 10 kms. However, the actual size of the cluster and its appropriateness to be covered by the corporation should be decided by the latter keeping in view the dispersal of looms, geographical conditions, operational efficiency and financial capability of SHDCs etc. (6.3)

34. The Group suggests the following arrangement for financing the individual weavers as well as for providing infrastructural facilities to them.

(i) The SHDCs will have to identify the weavers and assess their financial requirement taking into account the number of looms, number of weaving members in the family, per loom scale of finance fixed by NABARD, etc. Thereafter, the SHDCs will help the weavers in filling up the loan applications for the amount so assessed and sponsor the same to the nearest bank branch.

(ii) The bank branches are expected to consider the loan proposals sponsored by SHDCs and finance the weavers under IRDP, DRI scheme and normal programmes depending upon their eligibility based on income and other criteria stipulated under each programme. The SHDCs will act as a co-ordinating agency between the banks and agencies like District Rural Development Agencies, District Industries Centre, etc. The SHDCs will also arrange for the weavers the benefit of training through TRYSEM etc.

(iii) The loan amount will not be paid in cash directly to the individual weavers. Instead, the SHDC should supply to the weaver, yarn and other inputs upto the loan limit fixed for him by the bank and should make necessary entries in the loan pass book to be supplied by the bank to the weavers. The SHDC should, in turn, obtain acknowledgement from the weaver for receipt of yarn and get itself reimbursed from the bank to the extent of value of the yarn so supplied. The banks should agree to accept the SHDCs as appropriate agencies for adjusting the credit sanctioned against yarn supplied and for making recoveries through marketing of borrower weavers' products.

(iv) The responsibility of marketing the finished products of these weavers should be vested with SHDCs which should also ensure recovery of loan and interest instalments out of the sale proceeds to be paid to the weaver. (6.4)

35. As the weavers are spread out in the remote areas, SHDCs may face the problem of distributing the inputs and collection of the finished products on a regular basis from the weavers. To overcome this situation, the Group suggests two alternatives for adoption. The SHDCs may open depots in the vicinity of clusters of weavers for storing the inputs so that they could be supplied regularly to the weavers. Likewise, the depots will undertake collection of the finished products of the weavers regularly and send them to main sales depot of the corporations at periodical intervals. As the opening of depots would involve considerable financial outlay, many SHDCs may not be in a position to adopt this arrangement. As an alternative, the SHDCs may try 'mobile depot concept' under which mobile vans may be engaged and sent to the clusters of weavers at regular intervals for distribution of inputs as also for collection of finished products. (6.5)

36. In adopting the cluster approach, SHDCs should formulate a perspective plan setting annual targets for organising the weavers in clusters and extending the requisite infrastructural facilities for their betterment. In this context, the Group feels that SHDCs should take into account the target fixed in the VII Five Year Plan for each of them by the Goverment of India. Each SHDC should draw up a phased programme based on its existing potential for development, financial capability and operational efficiency. Having set the realistic target, the Group expects that each SHDC should take concerted efforts in fulfilling the target every year. The Board of Management of each SHDC should make a quarterly review of the progress in the implementation of this programme of amelioration of individual weavers in the unorganised sector. The Director of Handlooms should also extend necessary governmental assistance to SHDCs for the successful implementation of the programme. (6.7)

R.P.SATPUTE
(CHAIRMAN)

V.K. AGNIHOTRI
(MEMBER)

MANMOHAN SHENOI
(MEMBER)

MISS RANJANA RAY
(MEMBER)

A. SICKANDAR BATCHA
(MEMBER)

A.B .CHAKRAVARTY
(MEMBER)

A.L. NARASIMHAN
(MEMBER-SECRETARY)

K.RAMANUJAM
(MEMBER)

Bombay
29th August 1986

ANNEXURE I

RESERVE BANK OF INDIA
RURAL PLANNING AND CREDIT DEPARTMENT
CENTRAL OFFICE
BOMBAY

MEMORANDUM

With a view to studying the working of State Handloom Development Corporations, and ascertaining their loan and working capital needs from banks for assisting handloom weavers outside the co-operative fold, the Reserve Bank of India appoints the following Working Group:

1.	**Dr. M.R. Kotdawala** Chief Officer Rural Planning & Credit Department Reserve Bank of India Central Office Bombay 400 023.	Chairman
2.	Director Banking Division Department of Economic Affairs Ministry of Finance Government of India New Delhi	Member
3.	Joint Development Commissioner (Handlooms) Department of Textiles Ministry of Commerce Government of India New Delhi	Member
4.	General Manager National Bank for Agriculture and Rural Development Head Office Bombay 400 018	Member
5.	Chief Officer Small Industries and Small Banking Business Department State Bank of India Central Office Bombay	Member

6. General Manager — Member
Syndicate Bank
Head Office
Manipal

7. Managing Director — Member
Tamil Nadu Handloom Development Corporation
Madras

8. Managing Director — Member
Uttar Pradesh State Handloom Corporation
Lucknow

9. Managing Director — Member
North Eastern Handicrafts and Handlooms Development Corporation
Guwahati

10. Shri A.L. Narasimhan — Member-Secretary
Deputy Chief Officer
Rural Planning & Credit Department
Reserve Bank of India
Central Office
Bombay 400 023.

The terms of reference of the Working Group are as under:

(i) to examine the measures necessary to strengthen State Handloom Development Corporations so that they may play an effective role in financing handloom weavers.

(ii) To study how best the Corporations could finance the weavers in clusters, with necessary linkages for supply of yarn and other requirements and efficient marketing of the cloth obtained from handloom weavers.

(iii) To make recommendations which are related to and incidental to the above terms of reference.

3. The Group is expected to submit its report by January 31, 1985.

4. The Secretariat of the Working Group will be provided by the Rural Planning and Credit Department of Reserve Bank of India.

Sd/-
(M.V. Hate)
Deputy Governor.
9 June 1984

ANNEXURE 2

STATEMENT SHOWING THE COVERAGE OF HANDLOOMS BY COOPERATIVES AND CORPORATE SECTOR AND THEIR PRODUCTION PROGRAMME DURING THE SEVENTH FIVE YEAR PLAN

Sl. No.	Name of the State/Agency	Total No. of looms in '000	Coverage of looms & Production during VI Plan: Looms	Coverage of looms & Production during VI Plan: Production (in million metres)	Targetted Coverage of Looms & Production during VII Plan: Looms	Targetted Coverage of Looms & Production during VII Plan: Production (in million metres)	Norms of Production in VII Plan metres per day x No. of days
1	2	3	4	5	6	7	8
	STATES						
1.	**Andhra Pradesh**						
	(a) Cooperatives	529	1,20,000	119.00	2,40,000	300.00	4.5 X 300
	(b) Corporation		-	-	-	-	
	(c) Total		1,20,000	119.00	2,40,000	300.00	
2.	**Assam**						
	(a) Cooperatives	200	14,000	6.00	20,000	21.00	3.5 X 300
	(b) Corporation		6,000	1.30	15,000	21.00	
	(c) Total		20,000	7.30	35,000	42.00	
3.	**Bihar**						
	(a) Cooperatives	100	42,400	55.00	43,000	66.00	5.5 X 300
	(b) Corporation		12,000	23.00	22,000	30.00	
	(c) Total		54,400	78.00	65,000	96.00	
4.	**Gujarat**						
	(a) Cooperatives	23	7,000	9.45	12,000	20.10	6 X 300
	(b) Corporation		3,000	4.00	6,380	9.85	
	(c) Total		10,000	13.45	18,380	29.95	
5.	**Haryana**						
	(a) Cooperatives	41	4,700	6.30	8,200	13.50	5.5 X 300
	(b) Corporation		3,000	4.00	8,000	13.20	
	(c) Total		7,700	10.30	16,200	26.70	
6.	**Himachal Pradesh**						
	(a) Cooperatives	1.34	200	0.27	300	0.50	5.5 X 300
	(b) Corporation		-	-	340	0.56	
	(c) Total		200	0.27	640	1.06	
7.	**Jammu & Kashmir**						
	(a) Corporation	37	1,000	1.35	9,000	14.85	5.5 X 300

1	2	3	4	5	6	7	8
8.	**Karnataka**						
	(a) Cooperatives	102	44,000	59.40	62,000	102.00	5.5 X 300
	(b) Corporation		17,400	13.64	30,000	50.00	
	(c) Total		61,400	73.04	92,000	152.00	
9.	**Kerala**						
	(a) Cooperatives	95	34,000	45.90	60,000	94.00	5.5 X 250
	(b) Corporation		4,000	5.40	10,000	15.26	
	(c) Total		38,000	51.30	70,000	109.26	
10.	**Madhya Pradesh**						
	(a) Cooperatives	40	20,000	33.00	35,000	63.00	5.5 X 300
	(b) Corporation		10,250	17.00	16,000	29.00	
	(c) Total		30,250	50.00	51,000	92.00	
11.	**Maharashtra**						
	(a) Cooperatives		25,296	40.48	38,000	68.40	5.5 X 300
	(b) Corporation	50	12,300	21.10	13,000	23.40	
	(c) Total		37,596	61.58	51,000	91.80	
12.	**Manipur**						
	(a) Cooperatives		21,000	14.00	32,000	16.00	3 X 300
	(b) Corporation	100	4,000	-	7,000	6.30	
	(c) Total		25,000	14.00	39,000	22.30	
13.	**Meghalaya**						
	(a) Corporation	5	-	-	1,000	0.60	3 X 200
14.	**Nagaland**						
	(a) Corporation	20	140	0.003	600	0.01	
15.	**Orissa**						
	(a) Cooperatives		42,000	64.00	63,000	88.00	4.67X 300
	(b) Corporation	105	12,000	10.00	16,000	22.00	
	(c) Total		54,000	74.00	79,000	110.00	
16.	**Rajasthan**						
	(a) Cooperatives		6,000	8.10	10,500	17.33	5.5 X 300
	(b) Corporation	144	4,400	3.80	11,000	18.15	
	(c) Total		10,400	11.90	21,500	35.48	
17.	**Punjab**						
	(a) Cooperatives		3,000	4.00	4,000	6.60	5.5 X 300
	(b) Corporation	21	700	1.00	2,500	4.13	
	(c) Total		3,700	5.00	6,500	10.73	
18.	**Sikkim**		-	-	-	-	-

1	2	3	4	5	6	7	8
19.	**Tamil Nadu**						
	(a) Cooperatives		2,41,000	145.00	3,50,000	290.00	4 X 250
	(b) Corporation	556	20,000	36.00	45,000	150.00	
	(c) Total		2,61,000	181.00	3,95,000	440.00	
20.	**Tripura**						
	(a) Cooperatives	100	6,121	3.50	9,000	7.50	3 X 280
	(b) Corporation		7,000	4.00	11,000	9.20	
	(c) Total		13,121	7.50	20,000	16.70	
21.	**Uttar Pradesh**						
	(a) Cooperatives		2,09,000	282.15	2,55,000	420.75	6 X 300
	(b) Corporation	509	52,000	70.20	75,000	135.00	
	(c) Total		2,61,000	352.35	3,30,000	555.75	
22.	**West Bengal**						
	(a) Cooperatives		88,503	156.00	1,26,000	211.00	
	(b) Corporation	256	4,512	27.50	20,000	33.00	5.5 X 300
	(c) Total		93,015	183.50	1,46,000	244.00	

UNION TERRITORIES

1.	**Andaman & Nicobar Island**	-	-	-	-	-	
2.	**Arunachal Pradesh**	-	-	-	-	-	
3.	**Chandigarh**	-	-	-	-	-	
4.	**Dadra & Nagar Haveli**		-	-	-	-	
5.	**Delhi**	5	-	-	1,000	1.65	
6.	**Goa, Daman & Diu**	-	-	-	-	-	
7.	**Mizoram**						
	Cooperatives	1	323	-	750	0.17	
8.	**Lakshadweep**	-	-	-	-	-	
9.	**Pondicherry**						
	Cooperatives	6	4,000	2.00	5,000	3.50	
	Total of U.Ts	12	4,323	2.00	6,750	5.32	
	Grand Total	3046.34	11,06,245	1296.843	16,93,570	2396.51	

ANNEXURE 3

STATEMENT OF SCHEMES OF THE OFFICE OF THE DEVELOPMENT COMMISSIONER FOR HANDLOOMS FOR THE COOPERATIVE AND CORPORATE SECTORS

Sl. No.	Name of the Scheme	Cooperative Sector	Corporate Sector
1	2	3	4
1.	Share Capital Assistance	a) Share Capital assistance is provided to Primary Weavers Societies, Apex Societies on matching basis with the State Governments concerned.	a) Share capital assistance is provided to State Handloom Development Corporations on a matching basis with the State Governments concerned.
		b) Assistance is also provided to All India Handloom Fabrics Marketing Cooperative Society fully with the funds of the Central Government.	b) Assistance is provided to National Handloom Development Corporation and NEHHDC* fully out of the funds of the Central Government.
2.	Managerial subsidy to Handloom Weavers Cooperative Societies	This assistance is provided on tapering basis to Primary Weavers Cooperative Societies only.	No such scheme at present is available for SHDCs. However, a proposal has been mooted to provide such assistance to them.
3.	Assistance for modernisation/ renovation/ purchase of looms.	This assistance is provided to Primary Weavers Cooperative Societies on matching basis with the State Governments concerned. Of the assistance given, 2/3rd is in the shape of loan and 1/3rd in the shape of grant.	No such scheme is at present available for the SHDCs. However, it is proposed to extend the scheme to the Corporations also.
4.	Export Production Projects	This scheme is not applicable to Cooperative Sector.	The Export Production Projects are administered by the SHDCs for which assistance is provided partly in the shape of loan and partly in the shape of grant. The scheme is totally funded by the Central Government.
5.	Creation of pre-loom and post-loom facilities	This scheme envisages giving loan to Apex Societies or Processing Societies set up for the purpose.	This assistance is also available to SHDCs for setting up of processing facilities.

* North Eastern Handicraft and Handloom Development Corporation Ltd., Shillong.

1	2	3	4
6.	Market Survey and Studies	Assistance is provided for conducting market survey and study to Apex Societies.	This scheme is applicable to the SHDCs also.
7.	Publicity and Exhibition	Assistance is provided to Apex Societies for organising National Handloom Expos. The cost of conducting Expos is met by the Central Government and the organising agencies/State Governments on sharing basis.	This scheme is applicable to SHDCs also in the same manner.
8.	Training of Managerial Personnel.	This scheme envisages training of Managerial personnel of Apex Societies at National Institutes like I.I.M. etc.	This scheme is applicable to SHDCs also.
9.	Weavers Cooperative Spinning Mills	Assistance is available to Weavers Cooperative Spinning Mills. The assistance is routed through N.C.D.C. and up to 22 1/2% of the project cost is met by the Central Government on matching basis with the State Governments concerned.	No such scheme for the Corporate Sector is available.
10.	Rebate Scheme	a) 20% rebate facility is available for specific number of days during the year (presently 60 days) for retail marketing of handloom fabrics done by Apex and Primary Societies. The scheme is implemented on matching basis with the State Governments concerned. b) 15% Wholesale rebate is allowed to Primary Societies in the same manner as mentioned above.	The 20% rebate scheme is also applicable to SHDCs in the same manner as it is applicable to Apex Societies.

1	2	3	4
11.	Janata Cloth Scheme	This scheme envisages payment of subsidy @ Rs. 2/- per sq. mt. for production of Janata cloth meant for Weaker Section of the society to be sold at prices approved by the office of the Development Commissioner for Handlooms. The Production of Janata cloth is done by the Primary Societies and marketed by Apex Societies.	This scheme is also applicable to the SHDCs.

ANNEXURE 4

NAMES AND ADDRESSES OF STATE HANDLOOM DEVELOPMENT CORPORATIONS & THEIR DATE OF INCORPORATION

	Name and Address	Date of incorporation
1.	Andhra Pradesh State Textile Development Corporation Ltd. Tilak Road Hyderabad 500 001	31.5.1975
2.	Assam Government Marketing Corporation Ltd. Bamuni Maidan Guwahati 780 021	16.12.1959
3.	Bihar State Handloom & Handicrafts Corporation Ltd. East Gandhi Maidan Patna 800 004	21.5.1974
4.	Gujarat State Handloom Development Corporation Ltd. Ahmedabad 380 009	12.11.1979
5.	Haryana State Handloom & Handicrafts Corporation Ltd. Sector 17 C Chandigarh	20.2.1976
6.	Himachal Pradesh State Handicrafts and Handloom Corporation Ltd. Sanjauli Shimla 171 006	30.3.1974
7.	Jammu & Kashmir State Handloom Development Corporation Ltd. Jammu	29.6.1981
8.	Karnataka Handloom Development Corporation Ltd. 8, Cunningham Road Bangalore 560 052	3.10.1975
9.	Kerala State Handloom Development Corporation Ltd. Thilleri Road Cannanore 670 001	25.6.1968
10.	Madhya Pradesh State Textile Corporation Ltd. Gangotri Complex Bhopal	27.10.1970
11.	Maharashtra State Handlooms Corporation Ltd. 50 Central Avenue Nagpur	29.10.1971

	Name and Address	Date of incorporation
12.	Manipur Handloom and Handicrafts Development Corporation Ltd. Paona Bazar Imphal 795 001	10.10.1976
13.	Nagaland Handloom and Handicrafts Development Corporation Ltd. Half Nagarajan Dimapur	27.2.1979
14.	North Eastern Handicrafts and Handlooms Development Corporation Ltd. Upper Lachumiere Shillong 793 001	31.3.1977
15.	Orissa State Handloom Development Corporation Ltd. Janapath Bhubaneshwar	1.2.1977
16.	Punjab State Handloom & Textiles Development Corporation Ltd. Sector 22B Chandigarh	27.3.1976
17.	Rajasthan State Handloom Development Corporation Ltd. Jaipur 302 001	3.3.1984
18.	Tamil Nadu Handlooms Development Corporation Ltd. T. Nagar Madras 600 017	10.9.1964
19.	Tripura Handloom and Handicrafts Development Corporation Ltd. M.B.B. Sarani Agartala 799 001	5.9.1974
20.	Uttar Pradesh State Handloom Corporation Ltd. G.T. Road Kanpur 208 005	9.1.1973
21.	West Bengal Handloom and Powerloom Development Corporation Ltd. Raja Subodh Mullick Square Calcutta 700 013	25.9.1973

ANNEXURE 5

STATEMENT SHOWING THE CAPITAL STRUCTURE OF THE CORPORATIONS AS ON 31 MARCH 1984

(Rupees - lakhs)

	State/Region	Paid-up Capital				Remarks
		Total	State Govt.	Central Govt.	Others	
1.	Andhra Pradesh	311.15	311.15	-	-	As on 31.3.1983
2.	Assam	146.76	146.76	-	-	
3.	Bihar	627.98	627.98	-	-	
4.	Gujarat	57.00	55.00	-	2.00*	*held by other institutions
5.	Haryana	92.00	92.00	-	-	
6.	Himachal Pradesh	102.00	102.00	-	-	
7.	Jammu& Kashmir	139.83	139.83	-	-	
8.	Karnataka	418.00	418.00	-	-	
9.	Kerala	135.67	130.25	-	5.42	held by weavers
10.	Madhya Pradesh	457.78	457.78	-	-	
11.	Maharashtra	432.98	432.98	-	-	
12.	Manipur	32.56	32.56	-	-	
13.	Nagaland	145.74	145.74	-	-	
14.	North Eastern Region	100.00	-	100.00	-	
15.	Orissa	244.37	244.37	-	-	
16.	Punjab	318.00	318.00	-	-	
17.	Rajasthan	100.00	50.00	50.00	-	
18.	Tamil Nadu	176.35	115.00	-	61.35@	@held by weavers
19.	Tripura	65.44	65.44	-	-	
20.	Uttar Pradesh	853.49	853.49	-	-	
21.	West Bengal	233.54	231.04	-	2.50&	&held by United Bank of India
	Total:	5190.64	4969.37	150.00	71.27	

ANNEXURE 6

STATEMENT SHOWING THE VALUE OF YARN SUPPLIED BY THE CORPORATIONS DURING THE YEARS 1982-83 AND 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84
1.	Andhra Pradesh		
2.	Assam	29.64	11.99
3.	Bihar	342.31	429.93
4.	Gujarat	31.57	35.15
5.	Haryana	31.37	34.21
6.	Himachal Pradesh	21.51	18.66
7.	Jammu & Kashmir	113.60	114.53
8.	Karnataka	485.42	637.09
9.	Kerala	195.00	300.00
10.	Madhya Pradesh	214.12	246.88
11.	Maharashtra	512.19	572.76
12.	Manipur	23.02	10.16
13.	Nagaland	8.21	1.74
14.	North Eastern Region	12.04	12.02
15.	Orissa	274.88	432.08
16.	Punjab	11.34	20.11
17.	Rajasthan	-	-
18.	Tamil Nadu	4.23	21.43
19.	Tripura	39.81	40.70
20.	Uttar Pradesh	806.40	1078.99
21.	West Bengal	130.00	133.00
	Total:	3286.66	4151.43

ANNEXURE 7

STATEMENT SHOWING THE NUMBER OF PRODUCTION CENTRES OF THE CORPORATIONS AS AT THE END OF MARCH 1984

	State/Region	No. of Production centres
1.	Andhra Pradesh	- £
2.	Assam	9
3.	Bihar	33
4.	Gujarat	15
5.	Haryana	10
6.	Himachal Pradesh	25
7.	Jammu & Kashmir	22
8.	Karnataka	59
9.	Kerala	26
10.	Madhya Pradesh	16
11.	Maharashtra	32
12.	Manipur	12*
13.	Nagaland	8
14.	North Eastern Region	2
15.	Orissa	84
16.	Punjab	8
17.	Rajasthan	50
18.	Tamil Nadu	-
19.	Tripura	-
20.	Uttar Pradesh	180
21.	West Bengal	8
	Total:	599

£ 16 Production centres established by the corporation have been converted into Project Weavers Co-op. Societies with effect from 1.4.82

* Includes 10 project extension centres.

ANNEXURE 8

STATEMENT INDICATING THE PRODUCTION TURNOVER OF THE CORPORATIONS DURING THE YEARS 1982-83 and 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84
1.	Andhra Pradesh	31.25	23.45
2.	Assam	35.40	19.71
3.	Bihar	7.15	9.44
4.	Gujarat	108.43	121.76
5.	Haryana	48.80	57.45
6.	Himachal Pradesh	28.21	24.44
7.	Jammu & Kashmir	155.79	155.97
8.	Karnataka	714.35	949.44
9.	Kerala	348.08	400.00
10.	Madhya Pradesh	1242.01	1584.27
11.	Maharashtra	1080.19	1041.31
12.	Manipur	28.17	28.45
13.	Nagaland	15.00	18.00
14.	North Eastern Region	0.48	0.80
15.	Orissa	609.36	838.65
16.	Punjab	16.20	31.46
17.	Rajasthan	-	-
18.	Tamil Nadu	-	-
19.	Tripura	182.30	195.03
20.	Uttar Pradesh	3057.32	3719.18
21.	West Bengal	217.00	196.50
	Total:	7925.49	9415.31

ANNEXURE 9

STATEMENT SHOWING THE NUMBER OF SALES OUTLETS OF THE CORPORATIONS AS AT THE END OF MARCH 1984

	State/Region	No. of sales outlets
1.	Andhra Pradesh	3 (-)
2.	Assam	26 (3)
3.	Bihar	57 (2)
4.	Gujarat	7 (-)
5.	Haryana	13 (5)
6.	Himachal Pradesh	16 (3)
7.	Jammu & Kashmir	93 (13)
8.	Karnataka	52
9.	Kerala	100 *
10.	Madhya Pradesh	6 (3)
11.	Maharashtra	63 (-)
12.	Manipur	7 (3)
13.	Nagaland	9 (1)
14.	North Eastern Region	6 (4)
15.	Orissa	53 (5)
16.	Punjab	8 (-)
17.	Rajasthan	61 (-)
18.	Tamil Nadu	-
19.	Tripura	13 (5)
20.	Uttar Pradesh	98 (39)
21.	West Bengal	57 (5)
	Total :	748 (91)

Figures in bracket indicate the number of sales outlets outside the State/Region.

* Includes 87 Agency show-rooms.

ANNEXURE 10

STATEMENT SHOWING THE SALES TURNOVER OF THE CORPORATIONS DURING THE YEARS 1982-83 AND 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84
1.	Andhra Pradesh	75.84	N.A.
2.	Assam	112.40	142.65
3.	Bihar	619.12	812.28
4.	Gujarat	103.42	197.50
5.	Haryana	123.11	106.10
6.	Himachal Pradesh	47.10	55.10
7.	Jammu & Kashmir	95.00	200.00
8.	Karnataka	860.25	1253.93
9.	Kerala	433.26	515.00
10.	Madhya Pradesh	1242.01	1584.27
11.	Maharashtra	1076.84	1109.37
12.	Manipur	33.47	26.66
13.	Nagaland	22.97	19.79
14.	North Eastern Region	66.60	79.48
15.	Orissa	496.72	779.42
16.	Punjab	62.66	75.27
17.	Rajasthan	-	-
18.	Tamil Nadu	-	-
19.	Tripura	199.51	212.30
20.	Uttar Pradesh	3401.16	3960.13
21.	West Bengal	426.00	468.00
	Total:	9497.44	11597.25

ANNEXURE 11

STATEMENT SHOWING THE BANK FINANCE AVAILED BY THE CORPORATIONS DURING THE YEARS 1982-83 AND 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84	Remarks
1.	Andhra Pradesh	-	-	
2.	Assam	-	-	
3.	Bihar	50.00	75.00	
4.	Gujarat	75.00	100.00	
5.	Haryana	-	-	
6.	Himachal Pradesh	-	-	
7.	Jammu & Kashmir	15.00	30.00	
8.	Karnataka	240.00	330.00	
9.	Kerala	95.00	105.00	
10.	Madhya Pradesh	42.00	42.00	
11.	Maharashtra	200.00	200.00	
12.	Manipur	-	-	
13.	Nagaland	10.00	10.00	
14.	North Eastern Region	20.00	20.00	
15.	Orissa	135.00	143.25	
		10.00	10.00	Term loan
16.	Punjab	-	20.00	
		126.83	121.33	Term loan
17.	Rajasthan	-	-	
18.	Tamil Nadu	150.00	150.00	
19.	Tripura	-	-	
20.	Uttar Pradesh	-	-	
21.	West Bengal	100.00	100.00	
	Total:	1268.83	1456.58	

ANNEXURE 12

STATEMENT SHOWING THE BORROWINGS FROM GOVERNMENT BY SHDCs DURING THE YEARS 1982-83 AND 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84	Remarks
1.	Andhra Pradesh	94.16	N.A.	
2.	Assam	114.01	135.14	
3.	Bihar	97.02	97.02	
4.	Gujarat	92.23	108.23	
		9.00	9.00	Margin money
5.	Haryana	72.66	70.41	
6.	Himachal Pradesh	31.50	31.50	
7.	Jammu & Kashmir	35.00	35.00	
8.	Karnataka	429.88	506.38	
9.	Kerala	283.86	311.11	
10.	Madhya Pradesh	40.36	21.52	
11.	Maharashtra	69.43	50.00	
		20.00	-	Short-term loan
12.	Manipur	-	-	
13.	Nagaland	-	25.00	
14.	North Eastern Region	141.94	156.71	
15.	Orissa	19.97	13.76	
16.	Punjab	126.88	121.33	
17.	Rajasthan	-	-	
18.	Tamil Nadu	36.19	19.19	
		50.00	-	Short-term loan
19.	Tripura	40.00	40.00	
20.	Uttar Pradesh	428.53	440.13	Progressive
21.	West Bengal	95.00	95.00	
		100.00	100.00	Short-term loan
	Total:	2427.62	2386.43	

ANNEXURE 13

STATEMENT SHOWING PROFIT/LOSS POSITION OF SHDCs DURING THE YEARS 1982-83 & 1983-84

(Rupees lakhs)

	State/Region	1982-83	1983-84
1.	Andhra Pradesh	32.43 (-)	N.A.
2.	Assam	1.96 (-)	N.A.
3.	Bihar	15.34 (+)	0.42 (+)
4.	Gujarat	8.00 (-)	12.82 (+)
5.	Haryana	17.51 (-)	14.72 (-)
6.	Himachal Pradesh	4.50 (-)	4.00 (-)
7.	Jammu & Kashmir	8.06 (-)	8.00 (+)
8.	Karnataka	15.94 (-)	16.80 (+)
9.	Kerala	4.52 (+)	3.11 (+)
10.	Madhya Pradesh	2.05 (+)	16.09 (+)
11.	Maharashtra	10.32 (-)	9.52 (-)
12.	Manipur	15.57 (-)	21.93 (-)
13.	Nagaland	46.01 (-)	30.82 (-)
14.	North Eastern Region	12.45 (-)	11.70 (-)
15.	Orissa	18.00 (+)	19.06 (+)
16.	Punjab	19.10 (-)	N.A.
17.	Rajasthan	-	-
18.	Tamil Nadu	6.44 (+)	12.05 (+)
19.	Tripura	N.A.	N.A.
20.	Uttar Pradesh	34.50 (+)	45.22 (+)
21.	West Bengal	3.60 (+)	4.04 (+)

(+) : Profit

(-) : Loss

N.A. : Not available.