



# Reforms in Handloom Sector

## Why in News

Recently, the Government has taken several steps to **boost and also address the issues arising out of [pandemic in the handloom sector](#)**.

- A textile can simply be understood as a thread used for knitting or a cloth made out of it.
- Whereas, the handloom is the manufacturing part of textiles, it involves **workers and machines used for weaving**.

## Key Points

### ▪ Steps Taken By the Government:

- **Requesting States:** The Ministry of Textiles has requested the States and UTs for their State Handloom Corporations/ Cooperatives/ Agencies to **make purchases of the finished inventory available with the handloom weavers/artisans**.
- **Registering Weavers on GeM Portal:** Steps have been taken by the government for registering weavers on [Government e-Market](#) places.
  - This will enable them to sell their products directly to various Government Departments and organizations.
  - So far about **1.50 Lakh weavers have been on-boarded on the GeM portal**.
- **Establishing Handloom Producer Companies:** To enhance productivity, marketing capabilities and ensure better incomes, **128 Handloom Producer companies have been formed in different States**.
- **Easy Credit Policy:** Under Concessional Credit/Weaver [MUDRA Scheme](#), financial assistance, Interest subvention, Credit Guarantee are provided
- **Design Resource Centers:** Design Resource Centers (DRCs) have been set up in Weavers' Service Centers at major cities like New Delhi, Mumbai, etc.
  - The objective of these DRCs is to build and create design-oriented excellence in the Handloom Sector.
  - It also envisages to facilitate weavers, exporters, manufacturers and designers access design repositories for sample/product improvisation and development.
- **Establishing Handloom Export Promotion Council:** To promote marketing of handloom products, Handloom Export Promotion Council has been organizing International Fairs in virtual mode.
  - To promote e-marketing of handloom products, **23 e-commerce entities have been engaged for online marketing** of handloom products.
- **Raw Material Supply Scheme:** This scheme is being implemented throughout the country to make available Yarn to Handloom weavers.
  - Under the Scheme, reimbursement and price subsidies are provided for the raw material in the Textile sector.
- **Educating Weavers:** Many Chaupals were organized in various States to educate the

weavers to avail benefits of various handloom schemes for their welfare and socio-economic development.

▪ **Significance of Textile Sector:**

- The **sector accounts for 7% of India's manufacturing output, 2% of GDP, 12% of exports** and employs directly and indirectly about 10 crore people.
- Owing to the abundant supply of raw material and labour, India is:
  - The largest producer of cotton, accounting for 25% of the global output.
  - The world's second-largest producer of textiles and garments after China.
  - The second-largest producer of man-made fibres — polyester and viscose.
- Most importantly, in **India a strong domestic market is available.**

▪ **Challenges of the Textiles Sector:**

- **Highly Fragmented:** The Indian textile industry is highly fragmented and is being dominated by the unorganized sector and small and medium industries.
- **Outdated Technology:** The Indian textile industry has its limitations of access to the latest technology (especially in small-scale industries) and failures to meet global standards in the highly competitive market.
- **Tax Structure Issues:** The tax structure **GST (Goods and Service Tax)** makes the garments expensive and uncompetitive in domestic as well as international markets. Another threat is rising labour wages and workers' salaries.
- **Stagnant Exports:** The export from the sector has been stagnating and remained at the USD 40-billion level for the last six years.
- **Lack of Scale:** The apparel units in India have an average size of 100 machines which is very less in comparison with Bangladesh, which has on an average of at least 500 machines per factory.
- **Lack of Foreign Investment:** Due to challenges given above the foreign investors are not very enthusiastic about investing in the textile sector which is also one of the areas of concern.
  - Though the sector has witnessed a spurt in investment during the last five years, the industry attracted **Foreign Direct Investment (FDI)** of only USD 3.41 billion from April 2000 to December 2019.

## Way Forward

- **Toward an organized sector:** India can make the sector organized by **setting up mega apparel parks and common infrastructure for the textile industry.**
  - This will increase the scale of production and help Indian players to produce faster and at a lower cost with maximum efficiency in operation.
- **Facilitate modernisation of the industry:** Focus should be on the modernisation of the obsolete machinery and technology. This can help increase the production and productivity of the textile industry and thereby increase the export also.
  - Programmes such as the **National Technical Textiles Mission, Amended Technology Up-gradation Fund Scheme (ATUFS) and Integrated Wool Development Programme (IWDP)** should be implemented in the most effective manner.
- **Need for rational labor laws:** Several high-level expert panels have recommended removing limitations on firm size and allowing flexibility in hiring and firing.
  - Thus, there is a need for early rationalization of such labor laws.
- **Increasing export:** India also needs to sign trade agreements with developed countries to enhance export opportunities.
  - Such **Free Trade Agreements (FTAs)** can help gain duty-free access to large textile markets such as the **European Union**, Australia and the UK.

**Source: PIB**

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