

A Brief History of Handloom Reservation Act *

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1 Pre-History

Indian handloom has an ancient lineage and India was the leading exporter of textiles till imperial policies systematically caused ruin to it. As R C Dutt, the first Indian entrant to ICS and one of the early drain theorists noted: 'Weaving was...the national industry of the people' (Dutt, 1906, pp. 256). In seventeenth century, led by European demand, India exports of cotton goods alone averaged between 50-60 million yard, of which Europe accounted for 32 million, Far East comprised 18 million, and to Persia and Central Asia 3 million yards (Leadbeater, 1993). From the Battle of Plassey (1757) to 1813 when the monopoly of the East India Company was abolished, imports from Britain kept on increasing at a steady pace as shown by the rising value of British export of cotton goods to the East (mainly India) (see Table 1)

This was owing to British policy of replacing India manufactures by British ones. A correspondence between officials of the Company dated 17 March 1769 bears quoting here:-

...the manufacture of raw silk should be encouraged, and the manufacture of silk fabrics should be discouraged. ...the silk-winders should be forced to work in

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the Company's factories and prohibited from working in their own homes. (Dutt, 1906, pp. 45)

Table 1: Value of Cotton Goods sent out of Britain to ports east of Cape of Good Hope

Year	Value of Cotton Goods (£)	Year	Value of Cotton Goods (£)
1794	156	1804	5,936
1795	717	1805	31,943
1796	112	1806	48,525
1797	2,501	1807	46,549
1798	4,436	1808	69,841
1799	7,317	1809	1,18,408
1800	19,575	1810	74,695
1801	21,200	1811	1,14,649
1802	16,191	1812	1,07,306
1803	27,876	1813	1,08,824

Source: (Dutt, 1906, pp. 257)

Despite all this, India still remained a net-exporter and Indian textiles maintained their competitiveness till 1813 necessitating protectionist policies in Britain against Indian textile imports. Henry Cotton quotes Horace Hayman Wilson here:-

It was stated in evidence (1813) that the cotton and silk goods of India up to that period could be sold for a profit in the British market at a price from 50 to 60 per cent, lower than those fabricated in England. It consequently became necessary to protect the latter by duties of 70 and 80 per cent, on their value, or by positive

prohibition. Had this not been the case, had not such prohibitory duties and decrees existed, the mills of Paisley and Manchester would have been stopped in their outset, and could scarcely have been again set in motion, even by the power of steam. They were created by the sacrifice of Indian manufactures. Had India been independent, she would have retaliated, would have imposed prohibitive duties upon British goods, and would thus have preserved her own productive industry from annihilation. This act of self-defence was not permitted her ; she was at the mercy of the stranger. British goods were forced upon her without paying any duty, and the foreign manufacturer employed the arm of political injustice to keep down and ultimately strangle a competitor with whom he could not have contended on equal terms. (Cotton, 1907, pp. 90)

The period after abolition of the Company monopoly on trade (1813) was most debilitating turning India from a net-exporter of textile goods into a net-importer by employing protective tariffs against Indian imports and a policy of free trade on the import of Indian raw-materials and on the export of British-produced goods. Between 1814 and 1835 cotton manufactures exported to India increased from 1 million to 51 million yards while at the same time India imports into Britain fell from 1, 250,000 million (1813) to 63,000 pieces in 1844. While it devastated the weaving industry, the impact on spinning was complete ruin (Dutt, 1955, pp. 49-50).

By the time these policies were reversed to some extent following the Sepoy Mutiny in 1857 and the taking over of administration by the Crown, imperial policy and competition from British textile industry (now dominated by mills) had destroyed the capacity of Indian handloom industry to produce high quality fabrics leaving only domestic coarse fabric market for it.

In the period from the beginning of the twentieth century up to the First World War, the large increase in the consumption of cotton cloth in India was satisfied by imports, the mills and the handlooms to the extent of 44, 40 and 16 percent, respectively (see Table 2). The First World War saw a substantial drop in cloth consumption during which the mill sector gained a substantial share at the expense and imports. The production in handloom declined in

absolute terms. A possible reason could be reduction in imports of fine yarn during wartime while Indian mill industry was specialized in producing coarse yarn which was redirected from handloom to composite mills for reasons of high wartime profits. By the end of the war, the handloom sector was reeling under lack of supply of yarn which formed the backdrop of Gandhi's promotion of hand spinning after his (re)discovery of *charakha* in 1920.

Table 2: Production and Availability of Cotton Cloth, 1900-39, (Million Yards)

Years	Indian Mills (1)	Handlooms (2)	Imports (3)	Total (4)	Exports (5)	Consumption (6) = (5) - (4)
1900-1903	482.8 (15.4)	792.8 (25.3)	1,967.7 (59.2)	3,243.3	113.3	3,130.0
1912-1915	1,187.0 (24.5)	1,048.5 (21.6)	2,738.7 (53.9)	4,974.2	121.7	4,852.5
1918-1920	1,575.8 (49.2)	712.4 (22.3)	1,132.00 (28.5)	3,420.2	220.0	3,200.2
1927-1930	2,195.6 (43.1)	1,155.5 (22.7)	1,916.3 (34.2)	5,267.4	171.7	5,095.7
1936-1939	3629.6 (65.6)	1420.5 (25.7)	654.7 (8.7)	5704.8	173.3	5,531.5

Note: The figures in parenthesis are the percentages of total cloth consumption (column 6). In case of imports the percentages are for net imports ((3)-(5) as percentage of (6))

Source: Table I.1 in (Mazumdar, 1984, pp. 7)

Handloom production gained ground in the inter-war years and due to protectionist policies followed by the government (both tariff hikes¹ and quantitative restrictions against im-

¹At the end of 1931 import duties stood at rates of 25 percent and 31.25 percent, respectively, on British and

ports especially Japanese.²⁾ imports declined substantially and the gain was cornered largely by the mill sector.

In the back-drop of yarn crisis faced by handloom weavers leading to widespread unemployment, the Royal Commission on Agriculture in 1928, recognizing the non-agricultural employment potential especially during off-season, suggested that if the handloom industry has to face the competition from the mill sector, it will have to be organized on co-operative lines and recommended supplying yarn to weavers at subsidized rates. In 1934, the government announced a grant of Rs 5 lakhs to provincial governments for improving the handloom industry. The question of whether the protection to the handloom sector should take the form of reservation of certain products was raised in front of 1932 Tariff Board Enquiry chaired by Dr. John Matthai. The Tariff Board while noting that reservation was full of difficulties, recommended that organized industry should 'regard it as an essential obligation arising from the grant of protection to refrain from entering into unfair competition with the handloom industry.' (cited in (Mazumdar, 1984)) Despite all these difficulties, till before the Second World War, the handloom sector was able to hold its own not only against the mill sector but also against imports from Britain.

With the beginning of the Second World War, problems of shortage in supply of yarn for handlooms resurfaced. In response to the growing voices asking for protection of handloom industry from the mill sector, a conference was organized on Dec 7-8, 1940 in Delhi where specific proposals of laying an excise on mill cloth or a cess on yarn used by the mills were discussed. The former was rejected while a decision on the latter was deferred till a Fact Finding was conducted into the matter. A Fact Finding Committee was formed 'to survey the position of handloom industry in all its details'³ Among various problems faced by the handloom industry (viz. purchase of raw materials, marketing, finance etc.) the committee was to investigate 'the possibilities of demarcating certain types or styles of cloth for production by non-British goods. (Mazumdar, 1984, pp. 10)

²Japan had a substantial handloom sector till the beginning of First World War which went into rapid decline due to high productivity gains in the mill sector.

³'Decision of Delhi Conference', *Times of India*, Dec 10, 1940.

the handloom industry alone.’⁴

The Fact-Finding Committee submitted its report in 1942 recommending that certain fabrics be reserved for the decentralized sector and the setting up of an All India Handloom Board (GOI, 1942). The Fact-Finding Committee estimated that there were 2 million handlooms in the country of which 64 % were throw shuttle looms and 35 % were fly shuttle looms. An All-India Handloom Board was set up in 1945 with limited objectives of supplying raw material and assisting the marketing of handloom products. This was however terminated in 1947 and was replaced in 1951 with a board with wider functions including ‘financial assistance, and credit facilities to handloom co-operative societies, persuading the weavers to come into the co-operative fold, improving productivity of handlooms by technical assistance and bringing idle looms under production’. (Leadbeater, 1993, pp. 164)

During the Second World War, the mill sector catered to demands of the armed forces and decentralized sector was left to cater to domestic demand. With the aim of securing supply of adequate yarn to the decentralized sector, in view of increased demand for mill textiles, Cotton Cloth and Yarn (Control) order was issued on 17 June 1943 under Defense of India Rules. A position of Textile Commissioner was created with powers to regulate production, prices and distribution of cloth. A Textile Control Board was also set up *vide* the order with representatives from mills, handloom, labor and consumers. As the War ended, the mill industry found itself with excess capacity in the face of lower demand. While the 1943 Order was renewed *vide* Textile Industry (Control of Production) Order 1947, the demand for decontrol increased and in a meeting of committee of Textile Control Board in January 1948 chaired by Sardar Patel, it was decided to repeal the controls *vide* Cotton Textiles (Control) Order, 1948. As a consequence, prices of both cloth and yarn increased steeply during the month of February. The WPI scaled to 391 by June 1948 from 314 in Dec 1947, a 24% hike. In view of this, a new Cotton Textiles (Control) Order was passed on 2nd August 1948 under Section 3 of the Essential Commodities Act, 1955, which fixed a share of composite mills produced-yarn to be reserved for decentralized sector and the entire yarn production of spinning mills was to go to the decentralized sector. (Leadbeater, 1993)

⁴*ibid.*

The future inter-relations between handloom industry and mill sector were spelled out in the Industrial Policy Resolution of 1948 wherein the government hoped to make 'the textile industry....complementary to, rather than competitive with the handloom industry' (as quoted in (Leadbeater, 1993)). This was formalized in the Industries (Development and Regulation) Act 1951 and the scheme of First Five Year Plan which based itself on, *inter alia*, the principle of reservation of spheres of production for various sectors and non-expansion of capacity of the large-scale industry. In April 1950, based on the recommendations of the Fact-Finding Committee on Handlooms, following items were reserved for decentralized sector only:-

- dhotis with borders containing coloured yarn and exceeding 1/4 width or the use of jari or art silk, or silk yarn on dhotei borders;
- any *lungi*, sarong or *gamcha* with check pattern, or any cloth with a check pattern and having a width between 42" and 52" from which lungis, sarongs and *gamchas* could be made;
- bed cover, counter panes; and
- anything of a checked or stripped pattern

Additionally, there were restrictions on production by mill sector of low reed pick cloth by mills, and also sarees with 2 1/2" width border, or having real or imitation *jari* in the borders. In 1953, the Khadi and Other Handloom Industries Development (Additional Excise Duty on Cloth) was passed to create a 'cess fund' out of profits from mill sector with the purpose of promoting handloom products. Thus in this period emerged two instruments of protection for the 'decentralized sector' against the mill sector - excise levy on production by mills and reservation of certain fabrics of mass consumption for decentralized sector. The effect of these policies can be seen from the following table:-

Till early 1950s the decentralized center could be equated with the handloom sector since although the powerloom industry had started in the early part of the 20th century when some handloom weavers set up small factories with second hand non-automatic looms sold

off by the mills, but 'the rapid growth of the powerloom industry was 'a post 1950 phenomenon'(Mazumdar, 1984, pp. 2) The signs of the increasing threat to handloom from powerlooms was noted first by the Fact-finding Committee on Handlooms:-

"A more serious rival to the handloom industry than the mills had arisen in the small scale powerloom factory. This rival combines in itself, owing to its medium scale production, the advantages of both mills and handlooms. It can utilize cheap electric power and avail itself of the modern appliances in weaving. The competition from powerlooms is a growing phenomenon; about 15 years ago handlooms had nothing to fear from them. Powerlooms are not subject to any irksome restrictions such as Factories Act or special taxes. As such they are sources of competition in important lines to the mills as well. The cost of production in powerlooms is comparatively low owing to small overhead charges and economies of mechanical production." (As quoted in (Leadbeater, 1993))

In view of the serious unemployment among handloom weavers, the Government of India constituted Textile Enquiry Commission under the chairmanship of Nityanand Kanungo in the year 1952 to make a comprehensive enquiry into the various sectors of the cotton textile industry, viz. the mills, powerlooms and hand-looms, with a view to determining the place of each in the national economy and their inter-relationship(Correspondent, 1954); its report was submitted in 1954 (GOI, 1954). A random sample survey conducted by the Commission showed that there were about 20 lakh handlooms⁵ and that 15.5 lakhs were commercial looms of which 12.29 lakhs were active. The volume of employment provided by the industry was of the order of 15 lakhs expressed in terms of whole time work for 200 days in a year on 12 lakh handlooms. The maximum number of unemployed among regular hand-loom weavers could be nearly 4 lakhs, assuming that 3.5 lakh looms out of 15.5 lakh commercial looms were more or less idle Correspondent (1954).

⁵The number is the same as estimated by Fact Finding Committee in 1942 indicating that during the decade from 1942-52 the no of handlooms remained constant. In 1974, this no. stood at 32.4 lakhs and by 1979-80 it was 38.55 lakhs. Since then the no has decline with the latest Handloom Census 2009-10 reporting that the no pf working looms are little over 23 lakhs comparable to the number in 1942.

As per Committee's estimates out of the total production of 6500 million yards per year from all sectors, the share of mills, powerloom and handloom sectors were 4900 million yards (75%); 200 million yards (3.5 %) and 1400 million yards (21.5%) respectively. The Commission, noting the low speed production and consequently low out-put per unit of time of handloom, recommended a progressive conversion of handlooms into semi-automatic looms and powerlooms through organized efforts over a period of fifteen to twenty years(@5000 looms per year), in order to improve the living standards of the weavers, leaving only special fabrics with an intricate body design for handloom proper.

an irresistible conclusion... that at a pace at which there will not be too drastic a disturbance of the economic and social fabric, the handloom industry has to be made technically more efficient by converting the handloom either into a semi-automatic loom and/or into a powerloom, as power becomes available more generally in areas where the handloom industry is widely prevalent. (GOI, 1954, pp. 24)

The Commission opined against removal of reservation in favour of handloom but recommended against extension of reservation to other fabrics. The Committee had a defining impact: the government decided to allow installation of 35,000 powerlooms during 2nd Five Year Plan and allotted production target of 200 mn yards to powerloom sector.

The opinions of the TEC were not shared however by the Karve Committee, setup in 1955 by the Planning Commission while the recommendations of TEC was still under consideration by the government, to study the problems and prospects of village and small scale industries (GOI, 1955). Karve Committee recommended the freezing of both mill and powerloom output at existing levels. It went even further and recommended deferring of any proposal for additional spinning capacity in the mill sector, in order to promote handloom sector. This was the basis for the government's brief attempt at promoting a new type of hand spinning machine -the Ambar Charkha.

The Ashok Mehta Committee setup in 1964, nevertheless, echoed the views of Textile Enquiry Commission (Kanungo Committee) and recommended that powerloom be allowed

to acquire a paramount position in the textile economy of India. It argued that the effect of the growth of powerlooms upon handlooms weavers was different in different regions. While in Sholapur, Ichalkaranji and Malegaon they had little adverse effect, in Madras State and Andhra Pradesh powerlooms adversely affected handloom weavers. It questioned the long term viability of handlooms and argued for the removal of regulations on powerlooms. Though the Government did not accept the recommendation in *toto*, the permission for planned expansion of powerlooms marked the official recognition of the role of powerlooms in India. With each successive Five-year Plan, the proportion of production assigned to powerloom sector kept on increasing vis-a-vis that of the handloom sector.

In 1974, Sivaraman Committee on Handlooms (GOI, 1974) was constituted to study exclusively the problems of the handloom industry. It pointed out the inadequacy of government support and the product reservation which actually benefited the powerlooms. The major observation of the Committee was that for every powerloom setup, six handlooms are rendered dormant i.e. for every job created in powerloom sector, 14 handloom weavers were displaced. It urged the government to introduce fiscal arrangements to narrow the cost handicap of handlooms over the powerlooms and also to abolish the distinction of excise duty between the mills and powerlooms. The committee noted:-

A powerloom displaces six handlooms. In our strategy for rural employment, we need viable industries in the decentralized sector which can provide a living wage. Handloom is eminently suited for this purpose. Increased consumption should be actually supported by increasing the number of handlooms and their efficiency (GOI, 1974, pp. 61-62).

Further,

In our view, the problem is rather one of meeting the challenge which the handlooms face from the powerloom sector in the form of illegal unlicensed powerloom-poaching upon the yarn supply that should legitimately go to the handloom sector, poaching in the varieties reserved for the handloom sector and poaching in the market of handlooms by spurious handloom goods. Our view is that it is essential

to offset the advantage that the powerlooms have over the handlooms with their technology and almost same level of excise vis-a-vis the handloom sector This has to be set right so that the powerlooms may not be in a position to underbid the handlooms in their legitimate market (GOI, 1974, pp. 62).

The Committee argued for provision of better infrastructure facilities like, supply of yarn, pre-loom and post-loom facilities, financial assistance and marketing support.

But the transformation in the textile sector from mill domination to powerloom domination was complete by this time. The shares of organized and decentralized sectors respectively had reversed by 1980s from where they stood at independence as shown in Table 3

Table 3: Share of Mill and Decentralized Sector in Total Production of Cotton Cloth, 1951-81 (Million Meters)

Year	Mill Sector	Percentage of Total	Decentralized Sector	Percentage of Total
1951	3727	78.63	1013	21.37
1956	4852	74.47	1663	25.53
1961	4701	66.46	2372	33.54
1966	4239	57.78	3097	42.22
1971	3957	53.79	3399	46.21
1976	3881	48.85	4064	51.15
1979	3206	42.52	4334	57.48
1981	3147	39.47	4826	60.53
1984	2573	28.42	6480	71.58

Source: (ICMF, ears, pp. 33)

The biggest gainer in this was the powerloom sector. With each successive Five-year Plan,

the proportion of production assigned to powerloom sector kept on increasing vis-a-vis that of the handloom sector. It was around the time of Sivaraman Committee, that powerloom overtook handloom in terms of production (see Table 4).

Table 4: Estimates of Production in Handlooms and Powerlooms, 1956-81 (Mn Mtrs.)

Year	Handloom	Powerloom	Total
1956	1,379 (84)	255 (16)	1,634
1960	1,527 (72)	606 (28)	2,133
1963	1,891 (66)	985 (34)	2,876
1968	2,050 (58)	1,480 (42)	3,530
1971	1,770 (52)	1,630 (48)	3,400
1979	2,063 (44)	2,270 (53)	4,334
1981	2,253 (45)	2,720 (55)	4,973

Note: Figures in parenthesis are percentages of total.

Source: Table I.3 in (Mazumdar, 1984, pp. 21)

The no. of powerlooms had been increasing since independence but after the TEC recommendations there was a spurt. As per the estimates of Fact-Finding Committee (1942) the no. of powerlooms was 15,000; just prior to Kanungo Commission (1952-54) was 23,800, in 1959 as per a census the no had gone up to 29,000; by 1963 was 1,45,000 and by the time Sivaraman committee (1974) was set-up the no had swelled to 4,50,000. A look at the sparsely available state-wise data on growth of powerlooms⁶ drives in the point even further. As Table 5 shows, the growth in the number of powerlooms in Maharashtra and Tamil Nadu were particularly spectacular.

⁶The numbers are for authorized powerlooms and the actual number of powerlooms (authorized and unauthorized) is expected to be much higher.

Table 5: State-wise distribution of authorized Powerlooms in 1964 and 1981 (thousands)

	1964	1981		Total
	Total	No of PLs (on cotton)	No of PL (on non-cottons)	
Andhra Pradesh		9	6	15
Assam		2		2
Bihar		6	4	10
Gujarat	25.6	21	59	80
Haryana		1	1	2
Karnataka	Negligible	11	17	28
Kerala		5	1	6
Madhya Pradesh		13	2	15
Maharashtra	74	146	35	181
Orissa		4		4
Punjab		5	17	22
Rajasthan		6	1	7
Tamil Nadu	8	65	23	88
Uttar Pradesh		18	5	23
West Bengal		13	2	15
Other States and Uts		3	2	5
Total	145	328	175	503

Source: (Leadbeater, 1993, pp. 212)

The reasons for the spurt in growth of powerlooms were clear. Apart from the fact that they used technology similar to the mills with less overheads (a cheap and non-unionized la-

bor force), they enjoyed a *de facto* unregulated environment. Powerlooms started growing under the shadow of the protection provided to handlooms. Till 1955, powerlooms were clubbed with handloom in terms of exemption from excise duty. In 1955, a duty was levied on powerlooms at the rates of Rs. 25, 75 and 150 per loom on units with 5-24, 24-49 and over 50 looms respectively. In practice, violation of this limit of four looms, upto which the exemption from excise taxes was applicable, was fairly widespread. The larger units evaded the duty by dispersing looms in a number of sites. Additionally, even though powerlooms were required to obtain license from the government and get registered, large number of them remain unauthorized and evaded payment of the excise duties. The regulation of powerloom was extremely ineffective even though after 1961 contravention of Textile Control Orders could be punished with confiscation of looms, fines and even imprisonment on prosecution. (Leadbeater, 1993, pp. 213)

By 1974, when the exemption given to powerloom units with less than 5 looms was removed, powerloom had taken over handloom in terms of production (see Table 4). (Leadbeater, 1993, pp. 175) In 1976, this duty was replaced by duties on processed clothes @ 30 % and 70 % of duty on mills for handloom and powerloom respectively; handloom co-operatives continued to be exempt. (Mazumdar, 1984, [pp. 3) While in earlier years⁷, powerloom industry depended on second-hand looms from mill sector, in later years varyingly automatic looms began to be produced specifically for powerloom sector. The structure of excise duty on mill sector increased progressively with fineness of the fabric manufactured with the ultimate result of pushing much of production of fine grade fabrics towards powerloom sector.

Consequently, by this time powerloom sector had come to exercise enough political clout to scuttle any discriminatory assistance to handloom.

The *Janata* Party Government announced its Integrated Textile Policy on 7th August 1978. While Morarji Desai favored liberalizing industrial regulation, the diverse alliance that com-

⁷The Textile Enquiry Commission (1954) noted that in the powerloom centers of Ichalkaranji, Malegaon, Bhiwandi, Surat and Cambay in Bombay State, and Burhanpur and Jubbulpore in Madhya Pradesh, 'practically... the powerloom industry was a growth from the handloom industry, representing the attempt of the entrepreneur to get a higher return by increasing the productivity of the tool'. (GOI, 1954, pp. 6)

prised the Janata Party ensured that minimal protection for the decentralized sector continued. According to this policy to assist the growth of handlooms, the capacity of the powerloom and mills sectors were to be frozen at existing levels with expansion allowed only in handloom and *khadi* sectors. It entrusted the responsibility to the handlooms to meet the additional requirement of cloth arising due to increase in population and improvement in per capita consumption. The government also decided to set-up the National Handloom Finance and Development Corporation (based on recommendations of Sivaraman Committee) which was charged with the responsibility of procurement and distribution of hank-yarn and other raw materials for handloom weavers. The Sixth Plan (1980-85) assigned production of 4100 mn yards to handloom and *khadi* and 4300 mn yards to powerloom; hence for the first time powerloom was recognized outside the rubric of "decentralized sector" and was decoupled from handloom.

With the change in guard at the Center, the incoming Congress Government announced its policy towards the further development of handloom sector in 1981. It wanted to regulate the fresh expansion of capacity of powerloom in order to promote the development of handlooms. It proposed to regulate the capacity of powerlooms such that by the end of 1984-85, the growth is restricted at 5 per cent of the base year. But these measures remained on paper. By the end of Sixth Plan in 1985, the dominant role of powerloom over handloom was secure. For the 6th FYP (1980-85), for the first time powerloom was recognized separately from handloom and allotted production targets higher than that for handloom.

2 National Textile Policy 1985 and Handloom Reservation Act, 1985

The most comprehensive textile policy of independent India was the National Textile Policy of 1985. It differed from other textile policies with the shift in emphasis from employment potential to that of enhancing productivity. It also viewed the textile sector in terms of processes involved-spinning, weaving and processing rather than the sectors involved-handlooms, mills, powerlooms and *khadi*.

The Handlooms (Reservation of Articles for Production) Act was passed in the same year

to augment the reservations provided under from 1950 under the changes made to Cotton Textiles (Control) Order, 1948 and to put them on firmer legal footing. The stated aim of the Act were:-

STATEMENT OF OBJECTS AND REASONS The handloom industry is characterized by sizeable unemployment and underemployment which are due to factors like lack of organisation of weavers, inadequate availability of inputs, including working capital and absence of a regular and reliable marketing system, which can observe the entire production. Of all these the lack of adequate marketing system is one single factor which comes in the way of proper development of handlooms. Although a number of developmental measures have been undertaken towards improvement of the industry yet due to marketing difficulties production in the Handloom sector continues to suffer. The inherent technological constraints suffered by the handloom sector put a disadvantage when the sector is forced to compete with mill and powerloom sectors in the open market. It is in this context that reservation of certain items for exclusive production by handloom acquires importance. The policy of reservation of certain items for exclusive production by handloom has been adopted since 1950. First under the Cotton Textiles (Control) Order 1948 and later under the provisions of the Essential Commodities Act, 1955. This policy has helped the handloom sector to a considerable extent. However, during the last few years, these reservation orders issued under the Essential Commodities Act had been challenged in various courts of law. Though their validity had been upheld it is considered desirable to have a separate legislation so as to obviate the possibility of further litigation which may seriously affect the implementation of the reservation orders. A study group appointed by the Government to go into this question has also suggested that it would be desirable to have a separate legislation. It has been decided to accept this recommendation, this question has also suggested that it would be desirable to have a separate legislation. It has been decided to accept this recommendation. The Bill apart from enabling the Central Government to reserve by notified order certain articles or class of articles

for exclusive production by handlooms after taking into consideration the recommendations of an Advisory Committee constituted under the provisions of the Bill, provides for prohibition of manufacture of such articles of class of articles by powerloom or the other sectorism penalties for the contravention of the provisions of the order and other matters necessary for implementing the provisions of the Bill also provides for giving an exemption to certain articles covered by the order if the Central Government considers it necessary so to do for the purposes of the Handloom industry.⁸

The act aimed at protecting the livelihoods of handloom weavers and protecting the cultural heritage of the handloom industry from encroachment by the powerloom. Under the Act, initially 22 textile articles were reserved for exclusive production through handlooms but subsequently, these were reduced to 11 articles vide amendments in 1996 (GOI, 2012). The major departure was that the powerloom sector was sought to be firmly removed from the market reserved from handloom. But this act came at a time when powerloom was already producing one-third of total cloth requirements and had formed strong alliances with state and local political interests to protect their positions.

The Act came into force on 31st March 1986. On April 1st, notifications were issued for new reservation orders. But the act was challenged by powerloom associations from various states in the Supreme Court in the same year and the SC ordered a stay on the implementation of the Act under the premise that it violated the fundamental rights under Articles 14 and 19(1)(g) of the Indian Constitution⁹. The stay was vacated only in Feb 1993. Hence for 7 years after coming into force, the Act remained dormant. While various central governments made noises about putting the Act in Ninth Schedule to circumvent challenges an delay in SC, no government actually got around to doing it owing to pressures from powerloom lobby. During this period, powerlooms proliferated 'using loop holes in the law' and began 'mass production of handloom items and marketed them at vastly lower prices'¹⁰

⁸Parvej Aktar And Ors vs Union Of India And Ors on 5 February, 1993, 1993 SCR (1) 803, 1993 SCC (2) 221, <http://indiankanoon.org/doc/1624446/>

⁹Parvej Aktar And Ors *supra*

¹⁰Pushpa Iyengar, "AP Weavers' web of woes", *Times of India*, May 6, 1994.

After the judgment also, the Act wasn't implemented in right earnest as is evident from the fact that only '656 First Information Reports (FIR) were lodged out of 72,553 powerlooms inspected up to January 1995 (Srinivasulu, 1996) demonstrating the strength that the powerloom lobby had come to acquire. Before any significant steps to improve the implementation could be taken, the Act faced attack from varied quarters. Just after the SC judgment, the Advisory Committee under the Act was freshly constituted in Oct 1993 'to review the reserved items in terms of provisions of Section 4(2) of the Act'¹¹.

Powerloom interests were given entry into the Advisory Committee in the name of 'broad-basing' it. This reported statement by the Minister of State for Textiles, Mr. G. Venkat Swamy, made after the announcing the decision to reconstitute the Advisory committee, is instructive with respect to the balance of interests that brought about this reconstitution:-

The Center was fully committed to implement the supreme court order on reservation of items for the handloom industry...

...soon after the judgment some fears were expressed by the powerloom industry that the reservation would hurt its interests.

..he had already held a meeting with the Maharashtra Chief Minister, Mr. Sharad Pawar and the Gujarat Chief Minister, Mr. Chimanbhai Patel, the two states with the largest concentration of powerlooms and assured them that the reservation order would not be detrimental to the interests of powerloom industry as the items to be produced were numerous and enjoyed subtle variations.¹²

The Advisory Committee conducted field studies through five zone-wise sub-groups and after reviewing 22 items reserved for handlooms made recommendations for reducing them to 11 items.

In 1994 a Rajya Sabha committee was formed under the Chairmanship of Mrs. Sushma Swaraj to review the 1985 Act which recommended reduction in the number of reserved articles. In 1995, the Meera Seth Committee on Handloom Industry was appointed to review

¹¹L. Shankaraiah And Ors. vs Union Of India (UOI) And Ors., AIR 2005 AP 134, 2005 (1) ALD 21, <http://indiankanoon.org/doc/728249/>

¹²"Handloom advisory panel reconstituted", *Times of India*, Aug 19, 1993.

the impact of the Government of India's policy on Handlooms (GOI, 1996). The major thrust of the report was on re-orienting the handloom sector towards the globalisation process as a principal strategy for its survival. The report recommended that the articles in the reserved category to be reduced by half. The committee also recommended modernization and mechanization of handlooms and felt that handlooms were not capable of competing in the global market. Based on all these recommendations, the number of reserved articles were reduced to 11 in 1996. Items like, kota doria saree, shirting, crepe fabrics, table cloth, duster, basta, bukram cloth and low reed pick cloth were deleted.¹³ This gave a big fillip to the powerloom sector (Raman, 2012, pp. 239).

In 1998, the Government of India appointed a committee under the chairmanship of S. Satyam (GOI, 1999) which submitted its report in 1999. Despite the significance of the Committee, given the fact that its recommendations formed the basis of the New Textile Policy 2000, handloom sector was not represented on it. The main thrust of this policy was to make the textile industry globally competitive and the only option that the Committee saw in front of handloom was to 'modernize' by shifting to powerlooms. It recommended that reservation act of 1985 and Hank Yarn Obligation be repealed.

3 Doomed by Definition¹⁴

The latest among several attempts to dilute the HR Act and render it ineffectual came in Dec 2012. The 1985 Act had defined "handloom" as, "any loom other than powerloom".¹⁵ In Dec 2012, an Advisory Sub-Committee on Handloom Reservation Act, 1985 held on 10th Dec, proposed a change in the definition of handloom to "*handloom means any loom, other than powerloom; and includes any hybrid loom on which at least one process for weaving requires manual intervention or human energy for production*" (GOI, 2013). The rationale cited was "to reduce the drudgery of handloom weavers" (*ibid.*) because which weavers were said to be leaving

¹³L. Shankaraiah And Ors. *supra*

¹⁴B. Syama Sundari, "Doomed by Definition", *The Hindu*, Aug 31, 2013

¹⁵Sec 2(b) of *The Handlooms (Reservation of Articles for Production) Act, 1985* available at <http://handlooms.nic.in/writereaddata/UploadFile/Act%201985.pdf>

weaving.

The proposal of amendment of definition faced opposition from various quarters in the National Consultation on Handloom Sector organized on 1st March, 2013. The main argument forwarded by the opponents was that the proposed amendment would leave no difference between handloom and powerloom. Following this, a meeting of Advisory Committee was held on 12th April, 2013 under the chairmanship of Secretary (Textiles). A brief of the discussion bears quoting here:-

During the meeting members agreed that main reasons for the above are the drudgery & hard labour required continuously for long hours, besides, low level of income generation owing to very low productivity. The handloom sector is falling behind in keeping pace with the time as weavers are still engaged with age-old technologies used in weaving and still crafting the fabric by hand operated machines. While the scenario in textile sector has changed the world over including India, the poor handloom weavers are still engaged with hand operated looms doing tedious work to earn their wages and their substantial population is still living in extreme poverty conditions. (*ibid.*)

But the decision on the proposed amendment was deferred to a sub-committee which was to deliberate on the matter and submit its report to the Advisory Committee. It was to also investigate on 'whether a sub-sector within the powerloom sector can be identified in which other than the fact that mechanization has been done in upto two out of the three basic weaving actions and remaining all other conditions are similar to that of handloom weavers'. The Terms of References enjoined the sub-committee to, *inter alia*, 'examine the possibility of categorizing small powerloom units/weavers into a separate group so as to extend certain benefits on the lines of handloom weavers' (*ibid.*).

The Sub-committee made various field visits and the overwhelming message from handloom weavers was that powerloom is selling their product under the guise of handloom and the need is to strengthen the Act and not dilute it. In view of this, the Sub-Committee advised against proposed change in definition. It also recommended that 'unorganized and decentralized household powerloom weavers having maximum four powerlooms in a household

and the powerloom having motor power upto one H.P. may be categorized into a separate group and the weavers of this category may be given priority under the existing powerloom schemes’.

The Sub-committee submitted its report on October 29, 2013 recommending the status quo. In a statement issued on 9th January 2014 by Ministry of Textiles, the government accepted the recommendation:-

The Ministry of Textiles has accepted the report of the sub-committee and no amendment in the Handloom Reservation Act to change the definition of handloom is contemplated.

But the threat is not yet over. A recent *Draft Consultation Paper on Handlooms* released in Oct 2014 by Planning Commission concluded:-

...handloom products, being labor intensive cannot be produced for the mass market and cannot be cheap. Providing protection under Reservation of Articles is unsustainable in an open market. Hence, handloom products must be branded and marketed to niche markets to clients who appreciate the value of hand made products and are willing to pay for them. (GOI, 2014, pp. 22)

The Draft Paper finds support for this position in the *Report of the Steering Committee On Handlooms and Handicrafts Constituted for the Twelfth Five Year Plan (2012 – 2017)* when it says ‘The need for the overhaul of the Reservation Act...had been iterated by Steering Committee on Handlooms and Handicrafts constituted for the Twelfth Five Year Plan’. This is curious since the Report of th Steering Committee has this recommendation to make:-

j) Steps should be taken for strict enforcement of the Handloom Reservation provisions under the Handloom (Reservation of Articles for Production) Act, 1985, through, inter alia, setting up zonal offices in major handloom States, reviewing the penalty provisions, bringing the implementation of the Handloom Mark Scheme under the Act and exploring the feasibility of a separate national accredited testing laboratory for handloom products. (The issue regarding *inclusion* of items woven

with blended yarns into the Reservation List, being a policy matter, should be reviewed and clarified by M/o Textiles separately). (emphasis ours)(GOI, 2012, pp. 40)

It goes on to recommend:-

In order to assess the efficacy of this Act and the extent of benefit derived by the handloom weavers, it is imperative that a study be carried out and based on the findings, necessary amendments in the Act and the Rules thereunder may be considered by the Ministry of Textiles. (GOI, 2014, pp. 24)

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