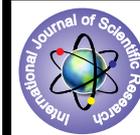


Suvarna Vastra Neethi: A Critical Study of Karnataka Textile Policy 2008-2013



Commerce

KEYWORDS : Incentives, Strategy, Textile, Zones

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ABSTRACT

The Indian Textile sector has an overwhelming presence in the economic life of the country through contribution of industrial output, employment generation and forex of the country. Currently, it contributes 14% to industrial production, 4% to the GDP and 17% to the export earnings. It provides direct employment to over 35 million people (second largest) which include substantial number of weaker sections. Thus, the growth and all round development of this sector has direct bearing on the improvement of the economy of the nation.

This article is concentrated to Karnataka state's Textile Policy 2008-13. This has undertaken with the reason that the policy will be end at this financial year. The study has traced the visible options and future aspirations that the policy can give opportunity to implement in next textile policy of the Government.

Introduction:

The Government of Karnataka has initiated textile policy under the theme of "Suvarna Vastra Neethi" to honour the potentiality and organized revolution of the sector. This is redefined strategies and targets of the Textile Policy 2004-09. The policy has moved with internationally competitive value-added products to sustainable employment and growth in the state economy. It has mission to value-chain supply, employment for 5 lakhs people with Human Resource Development (HRD), R&D and production technology for global exploitations.

- Geographical Dispersion of Textile and Garment Units
- Human Resource, Infrastructure, Institutional Development
- Market-Product Design, Diversify and Branding
- Standardization and Compliances

Objectives of the Study:

- To analyze the Policy issues and schemes in critical way
- To evaluate the Policy with prevailing environment for comparison
- To bring the conceptualization on Policy

Focused Areas:

- Strengthening Textile Value-Chain Activities with Technological Upgradation

Table-1
Scheme of Incentives and Components to be Funded and Funding Pattern

SN	Incentives Offered	Zone-1	Zone-2	Zone-3
1.	Credit-Linked Capital Subsidy (on the value of Fixed Assets)			
	General Subsidy	20% on value or `20 lakhs, whichever is less	15% on value or `15 lakhs, whichever less	Nil
	Additional Subsidy (Units within Designated Textile Parks and SC/ST/Persons with disabilities/Minority/Ex-servicemen/Women)	5% on value or `5 lakhs, whichever is less.	5% on value or `5 lakhs, whichever is less.	5% on value or `5 lakhs, whichever less.
2.	Entry-Tax Reimbursement	Full on Plant, Machinery, Capital Goods (including equipments)		
3.	Stamp-Duty Reimbursement	Full on: (i) execution of lease, lease-cum-sale and sale deeds of industrial land/plots allotted (ii) execution of lease deeds of industrial shed/plots taken (iii) loan/credit deeds (including security deeds) of long-term funds from banks/FIs/Government Agencies (iv) use-on stamp-duty paid on imports	50% on: (i) execution of lease, lease-cum-sale and sale deeds of industrial land/plots allotted (ii) execution of lease deeds of industrial shed/plots taken (iii) loan/credit deeds (including security deeds) of long-term funds from banks/FIs/Government Agencies (iv) use-on stamp-duty paid on imports	Nil
4.	Land Acquisition/Allotment through KIADB/KSSIDC	Reimbursement of 25% of the cost of land including acquisition charges, or `25 lakhs, whichever is less	Reimbursement of 50% of only the acquisition charges or `15 lakhs, whichever is less	Nil
5.	Common Infrastructure (on Project Cost)			
	Greenfield Textile Parks	40% of cost or `12 crores, whichever is less	20% of cost or `8 crores, whichever less	Nil
	SITP Approved Projects	9% of cost or `5 crores, whichever is less		
6.	Power Subsidy (i) Readymade garment/(ii) Hi-tech power-loom (above 20HP)/(iii) Spinning Units	Reimbursement of cost of power (paid at `1 per-unit)		
7.	Common Effluent Treatment Plant and Hazardous waste disposal facility	(i) 50% of the project cost or `5 crores (whichever is less) (ii) if Project is funded under any scheme-20% of the cost or `2 crores (whichever is less)		

8.	Capacity Building Support (i) Market Development & Branding (ii) Product Design, Development and Diversification (iii) Standards and compliances	Reimbursement of 50% of the project cost or (i) `50 lakhs (whichever is less) (ii) `25 lakhs (whichever is less) (iii) `2 lakhs (whichever is less)
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Sector-wise Anticipated Investment and Employment (investment in ` crores)

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1. Cluster-Based Development Strategy (CBDS): It is an all-compassing approach, endeavors to provide support as a whole benefits, aimed to achieve collective efficiencies in each key facets of the business like modern infrastructures, procurement of materials/human resource/technology-equipments and institutional support to access domestic and global market implementing manufacturing-cum-trade practices which suits the environment towards integrity. In order to reduce regional imbalances, promote employment and growth in backward areas will focus on geographical dispersion on skilled employment regions. Policy has made Three Zones (taluk-wise), where Zone-1 will receives maximum incentives, Zone-2 will normal and Zone-3 will fewer incentives.
2. Technology Upgradation Strategy: The Government of India has initiated Technology Upgradation Fund Scheme (TUFS) w.e.f. 01-04-1999. During eight years of operations, state units have failed to avail significant benefits of this scheme. Under TUFS, `73532 cores have sanctioned but state share is `3435 crores, indicates state has unable to upgrade technology. The Policy had provided capital subsidy, quality testing equipments etc. apart from TUFS.
3. Market-Product Design, Development and Diversification Strategy: The Policy aimed to put state's textile and garment sector on the global fore front with product frequent design, development and diversification with customer expectations and capabilities. The required marketing assistance and compliances would be provided on CBDS assuring to forging backward and forward market linkages.
4. Mega Projects and Dovetail Support Strategy: Investment for establishment of Textile-Garment Unit requires `100 crores and providing direct employment for 500 people called Mega Project. The assistance available under various Central and State Government schemes may be dovetailed by Entrepreneurs/Associations/SPVs/Units. However, the contribution by the industry shall not be less than 15% of each project cost.
5. Human Resource Development and Skill Upgradation Strategy: The availability of skilled manpower is a pre-requisite for globally competitive industry. It is targeted to generate more employment and train unemployed youth to fit for skill. Policy aimed to strengthen existing training institutions for supervisory/management level, support to

new Skill Development Centers (SDCs) for shop floor level through institutional linkages and independent certification/accreditation mechanism for training imparted. Willing institute has to prepare Detailed Project Report (DPR) outlining academic, technical, financial, implementation and management aspects, which should clearly spell-out expected impact of quality and will appraised/evaluated by a competent agency. On signing MOUs, Government provides timely implementations and assessment.

6. Industry and Institutional Linkages Strategy: A mechanism is placed for creating effective linkages and leveraging the manpower requirements successfully. Policy is a proactive in creation of linkages between institutions/agencies imparting HRD programmes and the textile and garment industry, ensuring meeting ever changing requirements, involvement and ownership in formation and implementation of programmes for sustainability, and facilitating 100% IT enabled placement exchange. For upgrading skill set contents to meet industry requirements, the emerging technology driven, multimedia/IT tools be used for effective and friendly, formulating/conducting Training of Trainers (ToT) programmes for devising/conducting proficiency tests for trainees and awarding certificates along with periodic monitoring as per methodology and standards.
7. Legislative Support and Labour Reforms Strategy: Government has fully aware to provide conducive labour environment with a specific proposal on consideration to Amendments to Sections 54, 56 and 65 of Factories Act-1948 for permitting up to 120 hours overtime in a quarter, 66(1)(b) to enable women workers to work between 10 p.m. to 6 a.m. (night shift) and 12 hour shifts, and Amendment to Sections 25(M), (N) and (O) of Industrial Disputes Act-1947 to provide flexibility, which are exposed to vagaries of fluctuating market demands, change in technology and intense global competition.
8. Single Window Clearance Strategy: For encouraging investment in the sector, the process granting permissions/licenses would be expedited under the Karnataka Industries Facilitation Act-2002. Therefore, the Minister for Textile and Commissioner for Textile Development have included in State High-Level Clearance Committee (SHLCC), the Director of Handlooms and Textiles in State-Level Single Window Clearance Committee (SLSWCC) and the District level officers included in District-Level Single Window Clearance Committee (DLSWCC). Thus, the Entrepreneurs shall submit their dully filled Combined Application Forms to the Nodal Agency with intimation to Handlooms and Textiles Department. However, a Facilitation Desk should be opened in the Department.

Table 2

Year	Handloom		Powerloom		Spinning		Processing		Garments		Tech. Tex		Total	
	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp	Inv	Emp
2008-09	2	1000	50	5000	150	2000	150	1000	500	40000	148	1000	1000	50000
2009-10	3	1500	75	7500	225	3000	225	1500	750	60000	222	1500	1500	75000
2010-11	5	2500	125	12500	375	5000	375	2500	1250	100000	370	2500	2500	125000
2011-12	5	2500	125	12500	375	5000	375	2500	1250	100000	370	2500	2500	125000
2012-13	5	2500	125	12500	375	5000	375	2500	1250	100000	370	2500	2500	125000
Total	20	10000	500	50000	1500	20000	1500	10000	5000	400000	1480	10000	10000	500000

(Source: Suvarna Vastra Neethi 2008-2013, Department of Handlooms and Textiles, Government of Karnataka, p.7)

9. Fashion Hub at Bengaluru: Recognizing the potential of Bangalore, which is the IT Capital and fast becoming the Garment Capital of India, it is proposed to establish THE FASHION HUB near Doddaballapur, Bangalore. The aim is to attract all domestic/international professionals from the field of fashion/design/buying houses and business representatives on a single-platform to interact/exchange ideas through seminars/exhibitions/fashion weeks/workshops/interactive sessions, as a gateway to access data-base/ policies and to establish R&D center to explore capabilities in design technology and quality standards, to establish sourcing hub catering to showcase Handicraft as tourist destination. Incubation center to inculcate spirit entrepreneurship engrained in creative culture.
10. Review/Monitoring/Administrative Strategy: For effectiveness of the Policy, (i) High-Level Empowered Committee (HLEC) setup to take necessary decisions for implementing Policy and project monitoring, periodic review, reallocation of funds, providing advisory inputs to State-Level Project Implementation Committee and is Chaired by Minister for Textile (SLPIC) (ii) The SLPIC is responsible for development of operational/procedural implementation of Policy and sanction/monitoring of project incentives and is Chaired by Secretary of the Department (iii) A District-Level Project Monitoring Committee (DLPMC) is responsible to monitor the progress of projects in accordance with operating guidelines.

Table-3
Budget Outlay of the Textile Policy 2008-13
(in crores)

SN	Incentives	2008-09	2009-10	2010-11	2011-12	2012-13	Total	%
	Year	1	2	3	4	5		
	Expenditure Phasing	15%	15%	25%	25%	20%		
1.	Human Resources Development and Skill Upgradation	18.75	18.75	31.25	31.25	25.00	125.00	25%
2.	Capacity Building Support	2.25	2.25	3.75	3.75	3.00	15.00	3%
	Expenditure Phasing	0%	10%	10%	35%	45%		
3.	Credit-Linked Capital Subsidy	--	5.00	5.00	17.50	22.50	50.00	10%
4.	Entry-Tax Reimbursement	--	2.50	2.50	8.75	11.25	25.00	5%
	Expenditure Phasing	5%	15%	30%	40%	10%		
5.	Stamp-Duty Reimbursement	0.50	1.50	3.00	4.00	1.00	10.00	2%
6.	Land Acquisition Cost Reimbursement	0.25	0.75	1.50	2.00	0.50	5.00	1%
7.	Common Infrastructure for Greenfield Textile Parks	4.75	14.25	28.50	38.00	9.50	95.00	19%
8.	Power Subsidy	--	--	11.75	28.00	55.25	95.00	19%
9.	Common Effluent Treatment Plant and Hazardous Waste Disposal Facility	1.50	4.50	9.00	12.00	3.00	30.00	6%
	Expenditure Phasing	10%	10%	30%	30%	20%		
10.	Project Development and Management	5.00	5.00	15.00	15.00	10.00	50.00	10%
	Grand Total	33.00	54.50	111.25	160.25	141.00	500.00	100%

(Source: Suvarna Vastra Neethi 2008-2013, Department of Handlooms and Textiles, Government of Karnataka, p.31)

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This work is heartily dedicated to our Beloved Parents

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