Government Grant and its impact on Handloom sector:
A study with reference to five Handloom clusters in Tripura

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Abstract:

The Indian handloom industry is one of the country's oldest and largest cottage industries, having a long history of exceptional craftsmanship stretching back thousands of years and embodying the lively Indian culture. The Ministry of Micro,

Small, and Medium Enterprises (MSME) has grown over the last few decades as a critical tool in India for assisting entrepreneurs-both clusters and individuals-to advance and expand their businesses. The government's strategy of forming cottage business clusters is spreading across rural India. It aims to boost the productivity of rural artisan clusters in order to revive the approach and have a positive impact on India's livelihood. The artisans can improve their productivity and competitiveness as well as their collective capability by using the cluster development technique. Despite the fact that the government has implemented a number of economic measures in terms of finance, there are still some loopholes that impede the sector from functioning properly. The purpose of this research is to examine the impact of government subsidies on the handloom business, particularly in Tripura.

Introduction:

In the economic growth, sustainable livelihood and in promotion of equitable regional development, the role of Micro, Small and Medium enterprises (MSMEs) is very important and this sector contributes over 90% of total enterprises in most of the developing economies. This sector also generates the highest rates of employment and contributes in major share of industrial production and exports.

Krugman (1991) mentioned that the Small and medium enterprises operating in the same or inter-related industrial sectors tend to concentrate in specific geographic locations due to some sound economic reasons. . A cluster of enterprises, in the broader sense come under the definition of typical geographical concentration of micro, small, medium and large firms which provides same or similar range of products and experiencing common opportunities such as increasing turnover through quality up-gradation or introduction of new products or markets etc and threats like product obsolescence, lack of markets etc. Such Clusters are instrumental in creating favourable conditions for developing inter-firm cooperation among public and private institutions by deriving competitive advantage from proximity to source of raw materials, components and machinery and sector specific skills, thus promoting local production, innovation and collective learning. Cluster is also functional in providing diverse facilities and in getting best prices to the products.

Clusters constitute ideal targets for a MSME support agency (Mead & Liedholm 1998, OECD 1998). The concentration of largely homogenous enterprises within a relatively limited geographical area facilitates the intervention because of their similarity of needs and support requirements, speeds up the dissemination of best practices because of the pervasiveness of demonstration effects, and allows for a distribution of the fixed costs of interventions among a large number of beneficiaries. This is true for under-achieving clusters as well as for the best performing ones.

Interventions of the Government Agencies in development of Cluster:

In 1988, the scheme UPTECH for technology up-gradation and management has been launched by the Ministry of Micro, Small & Medium Enterprises in order to lay special emphasis for development of clusters. For an equitable and inclusive growth of nation, the development of MSMEs is significant.

The approach for development of MSMEs was cluster based, but it was mainly technology-focused comprising of a diagnostic study, setting-up of a demonstration plant and organising workshops, seminars, etc. aiming at quicker diffusion of technology across the cluster of small enterprises. The scheme of the Ministry of Micro Small and Medium Enterprises was renamed as Small Industry Cluster Development Programme (SICDP) in August 2003, and made broad based. A holistic pattern of development of cluster encircling marketing, exports, skill development, setting up of common facility centres, technology up-gradation of the enterprises, etc. was adopted. In March 2006, SICDP guidelines were comprehensively revised. Cluster programme was made more broad-based by facilitating substantial economies of scale in terms of deployment of available resources in the medium to long term.

There is no denying fact that country's growth is heavily reliant on micro, small, and medium companies (MSMEs), which generate mass employment in every corner of the country and contribute significantly to the GDP. Given its importance, the government is expected to offer enough support to guarantee that MSMEs' growth is not stifled at any time. The current economic situation is not conducive to small industries as there is restricted liquidity in the system, though the government pumped in stimulus to keep the sector alive. Although the government has introduced several economic measures in terms of financing, certain gaps remain that prevent the sector from functioning well. This paper tries to analyse the effect of government subsidy and vibrancy of Handloom sector especially in Tripura.

Objectives:

1) To study the present condition of Handloom clusters in Tripura.

2) To study the impact of Government subsidies on the performance of Handloom clusters in Tripura.

3) To study the problems faced by the Handloom units at the time of getting Government subsidies.

Methodology:

For the purpose of the study, 5 (five) handloom Clusters nearby Agartala, Tripura has been selected. The study is mainly exploratory in nature. Discussion with the leader and members were held and during the period of discussion, the details about the functioning of the clusters were unearthed. Data were also collected as per Schedule framed for collection of information. Case studies have been made for each Cluster. The data were analysed by using suitable statistical software and findings are given as per the results obtained on the basis of analysis.

Literature Review:

Several studies in developed countries observed the positive effect of clusters in promoting MSMEs. Deb. R, Dey. N.B & Haldar.P.K.(2016) found that Industrial Clusters are capable to promote the growth of country's MSMEs by accelerating the early stage of entrepreneur. Jani, Joshi & Pandya(2015) found that fiscal incentives are perceived as a good motivator to start a business by owner/manager of firms. Edris, Gunawan & Indrayani (2013) identified that cluster Management is implementation of a structure, process, tools and organisational capabilities of enterprises. The main purpose of cluster management is to maximize the benefits of economic cluster incentives and their competitiveness, through increasing productivity through the provision of better access to factors of production and by facilitating commercialization through marketing and distribution. Kavita (2012) in her study mentioned that cluster development remains an important goal for India as in other country and also mentioned that policy intervention is required to make a levelled development of clusters.

Handloom Scenario of Tripura:

After, Independence of India, Tripura (an erstwhile princely state) merged with the Indian Union on October 15, 1949. It became a Union Territory without a Legislature with effect from 1st November, 1956 and a popular ministry was installed in Tripura on 1st July, 1963. Tripura became a full-fledged State on 21st January, 1972. It is the third Smallest State in the Country, located in the North Eastern Region having mostly agrarian economy, low progress in industrialisation and high unemployment problem experiencing unorganised manufacturing and service.

One of the prominent sectors In Tripura is Handloom Sector. This sector is surviving because of formation of Clusters. There are 1, 37,177 Handloom weavers as per the National Handloom census conducted by the Government of India. 25,816 weavers are in 60 Nos. of Handloom Clusters. Out of 60 Handloom Clusters , 17 in West Tripura District, 7 in Khowai District, 9 in Sepahijala District, 7 in Gomati District, 8 in South Tripura District , 5 in Dhalai District, 3 in Unokoti District and 4 in North District. Tripura has some unique traditional design and arts in Handloom Textiles. These arts have its uniqueness, even today these arts are survived despite all odds. The Handloom Industry plays a dominant role in the economic development of rural people of Tripura.

Each Cluster has been registered under Co-operative Societies Act. Each Member of a Cluster functions as a weaver. Benefits of any Central or State's Scheme is given to the

Society which is ultimately passed on the members of the Society. The society provides machineries and yarn to the weavers asking them for specific designs as per market demand. The finished product like Napkin, Pachra, Blanket (Lysympee), Bandage Gauze, Chadar, Naga Shawl, Bed cover, Towel , Bag, Pillow Cover, handkerchief, mairang etc are given back to society for marketing through retail outlet of Tripura Handloom and Handicraft Development Corporation Ltd (A Government of Tripura Undertaking) named 'Purbasha'. The Society after deduction of cost of yarn and service charge, give the price of finished goods to the individual weavers which comes as wages for those weavers.

Analysis:

Table-1
T-Test (One-Sample Test)

| | Test Value = 0 | | | | | |
| | | | | | 95% Confidence Interval of the Difference | |
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Age of the Enterprise	9.420	4	.001	46.40	32.72	60.07
Nos. of Member	6.067	4	.004	584.80	317.18	852.41
Total Capital Employed	2.731	4	.052	1.10	-18477.37	2.23
Av Yearly Production	1.993	4	.117	2.76	-1.0	6.62
Av Yearly sales	1.990	4	.117	2.75	-1.08	6.60
Yearly Profit	2.530	4	.065	92949.60	-9037.14	194936.34
Nos. of Employment created	1.889	4	.132	114.20	-53.66	282.06
Amount of Subsidy	2.620	4	.059	6.01	-36013.46	1.23
Training on Capacity Building	4.000	4	.016	0.80	0.24	1.35
MIS	2.449	4	.070	0.60	-0.08	1.28
Keeping Financial Records	4.000	4	.016	0.80	0.24	1.35
Role of Govt. is satisfied	4.000	4	.016	0.80	0.24	1.35

As the sample size is small therefore, T-test is applied to check the difference. A t-test is a statistical test that is used to compare the means of two groups. It is often used in hypothesis testing to determine whether a process or treatment actually has an effect on the population of interest, or whether two groups are different from one another. Here, statistical results of the

variable i.e. Age of the Enterprise, Nos. of Member, Total Capital Employed, Amount of Subsidy, Training on Capacity Building, Keeping Financial Records, Role of Govt. is satisfied and showed significant result. That means these factors are responsible for the growth of MSMEs.

Chart-1
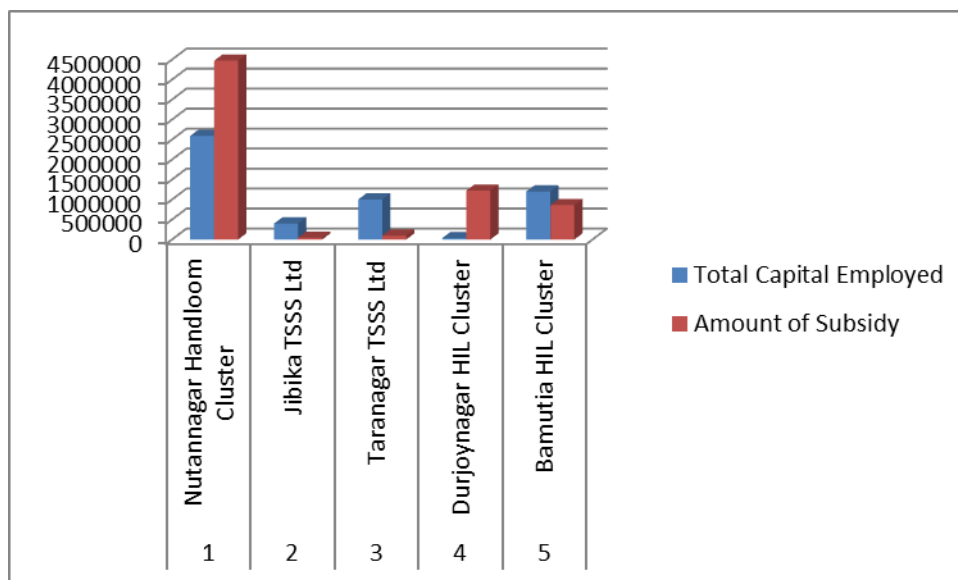
In Chart-1 it depicts that all the clusters have availed subsidy from Government. There is no such principles observed about the quantum of subsidy. However, subsidy has been received by all irrespective of their performance. The government is strivibng hard to make all the MSME viable because the MSMEs sector is an important pillar of Indian economy as it contributes greatly to growth of Indian economy with a network of millions of units, creating employment. So in their initial stage all the cluster have availed subsidy from government and it helps them to raise fund for their business initially.

Table-2
Correlations

		Yearly Profit	Nos. of Employment created
Yearly Profit	Pearson Correlation	1	0.968[**]
	Sig. (2-tailed)		0.007
	N	5	5
Nos. of Employment created	Pearson Correlation	0.968[**]	1
	Sig. (2-tailed)	0.007	
	N	5	5

**. Correlation is significant at the 0.01 level (2-tailed).

As MSME is responsible for creating employment, so correlation analysis has been undertaken to check how far profit of the MSME is related with the employment created.

Here, Pearson Correlation result showed that two factors are correlated at 0.968 and significant (0.007) at 95% confidence level. So it can be said that higher the profit of the enterprise higher the chance for creating employment. So, profit is the vital factor for creating employment.

Table-3

Chi-Square Test

	Total Capital Employed	Av. Yearly Production	Av. Yearly sales
Chi-Square	.000ª	.000ª	.000ª
df	4	4	4
Asymp. Sig.	1.000	1.000	1.000

a. 5 cells (100.0%) have expected frequencies less than 5. The minimum expected cell frequency is 1.0.

b.

From the above analysis it is clear that the three factors which are taken for analysis i.e. Total capital employed, Average yearly production and Average yearly sales are showed significant result (0.000) at 95% confidence level. A chi-square goodness of fit test determines if sample data matches a population. A chi-square test for independence compares two variables in a contingency table to see if they are related. In a more general sense, it tests to see whether distributions of categorical variables differ from each another. So the three factors taken for analysis are more important to make MSME viable. Optimum capital is required for making the enterprise viable along with ensuring the production and sales level of the enterprises.

Chart-2
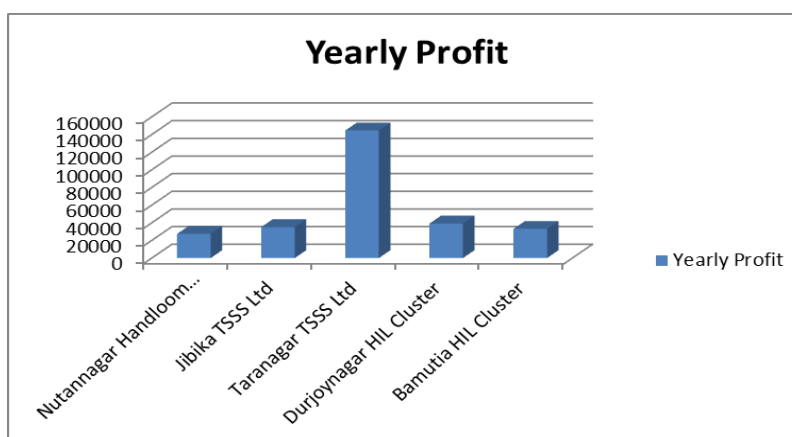
All the five clusters of the MSME have profit irrespective of the years. No such shortage of capital has seen across the clusters. So, to make profit all the factors of the enterprise worked together to make the MSME viable.

Problems:

1. Supply of Raw Materials: The raw materials are mainly procured from NHDC because of low cost and better quantity of yarn. But there is long gestation period from supply order placed and material supplied by NHDC. The quantity of yarn available in the market are of poor quantity and costlier.

2. Lack of Marketing Facilities: The products are made on the basis of order placed by 'Purbasha', which is the retail outlet of the Tripura handloom & Handicrafts Development Corporation Ltd. Therefore, market is limited. The demand of the products is less and thus many of the members of the Clusters are diverting to other means of employment.

3. Outdated Technology: The technology is outdated and the products are facing stiff competition from the product of Machine looms.

4. Limited scope for product diversification: The weavers have been weaving the same kind of product for years together even generation after generation. There is a resistance on their part to go for any new products.

5. Procurement Preference of the State Government is withdrawn: Handloom sector is not merely a business but a way of life for a particular community. Almost all the members of the family take part in the production process. If, the State Government does not support this sector by way of procurement preference, then, the sector will not only lose its vibrancy but also affect the way of life of a community "Tanti".

Suggestions:

1. Market Research: To understand the requirement of the people, market research is very important. On the basis of market research, new products can be produced and design of the existing products can be changed.

2. Availability of Raw material: Timely availability of raw material and cost effective procurement is very important to produce required products on time. It is seen that the required raw material, i.e., Yarn is procured only from NHDC. There is long gestation period from placing the order by the Cluster and delivery of raw material. There has to be a system of keeping inventory of raw material with 'Purbasha', so that raw material will be available whenever it is required as per demand of the Clusters.

3. Price Realisation: The products of Handloom Clusters are getting sold though retail outlet of Tripura and handicrafts Development Corporation, named 'Purbasha'. It deducts service charge (3%) on the retail price of the products. But, 'Purbasha' takes at least 30 days time to make the payment to the cluster members. This period is pretty long for the poor weavers. Therefore, it is advisable to make the payment on receiving the products.

4. Availing the facility of Government schemes: It is seen that although all the clusters are getting the benefit of working capital support but such clusters are not getting benefits under different Central schemes available for this sector.

5. Procurement Preference: Apart from subsidy to help the clusters, the support from the Government in the form of price preference is very important for survival of some handloom clusters. Therefore, the State Government should frame the policy for giving procurement preference to such sector.

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