



SCHEME FOR REIMBURSEMENT OF ONE TIME REBATE @ 10% GIVEN ON SALE OF HANDLOOM PRODUCTS BY THE HANDLOOM AGENCIES DURING 2006-07, 2007-08 AND 2008-09

1. Background

India's handloom sector ranks next only to Agriculture in employment generation, and provides employment to nearly 65 lakh persons belonging to the disadvantaged sections of the society. The handloom sector being labour intensive and decentralized in nature has certain inherent disadvantages like high cost production vis-à-vis the powerloom and mill sector and marketing of handloom products.

The decentralized handloom weavers are totally dependant on handloom agencies and private traders for marketing of their products. The Government interventions in the form of support Schemes have helped the handloom organizations to market the products of handloom weavers and, thereby, sustenance of their employment.

The handloom sector earlier had certain incentive Schemes like Marketing Development Assistance Scheme, Rebate Scheme, scheme for reimbursement of CENVAT on hank yarn, etc. These Schemes have since been discontinued. However, assistance is presently available under the Marketing Incentive component of the Deendayal Hathkargha Protsahan Yojana (DDHPY) to the handloom agencies which helps them to prepare conditions which are conducive to marketing of handloom products. This Scheme was introduced w.e.f. 1.4.2000 and will continue upto 31.03.2007.

Marketing has always been a problem with the handloom organizations/ societies / weavers. Accordingly, in order to augment marketing of handloom products particularly in the wake of stiff competition with textile products of powerloom and mill sectors, the Government of India had approved the introduction of the 10% Rebate Scheme on 15th January, 2004 with a budget provision of 100 crore. The implementation of this Scheme helped the handloom sector to market handloom products worth Rs. 957 crore and reduces their inventories/ accumulated stocks. This Scheme was discontinued after 31.3.2005.

Subsequent to the discontinuation of the Rebate Scheme, many of the State Government and handloom organizations had been emphasizing the need for reintroduction of the Scheme. The withdrawal of CENVAT Scheme and negligible marketing support available under the marketing Incentive component of the DDHPY has further necessitated reintroduction of the Rebate Scheme.

A proposal was accordingly taken up with the Ministry of Finance and the Cabinet Committee on Economic Affairs for reintroduction of the Scheme. The Cabinet Committee on Economic Affairs, in its meeting held on 10.08.2006, has approved the reintroduction of the scheme for a **period of three years i.e. 2006-07 to 2008-09.** The scheme will be 100% funded by the Central Government with a total budgetary provision of Rs. 100 crore.

2. Objective of the Scheme

The main objective of the Scheme is to provide marketing support to the National level handloom organizations/ agencies like (i) National Handloom Development Corporation (NHDC), (ii) All India Handloom Fabrics Marketing Cooperative Society (AIHFMCs), (iii) Handicrafts and Handlooms Export Corporation (HHEC), along with State level organizations like (i) State Handlooms Corporations/ State Apex Cooperative Societies/ Handloom Federations/ Regional Handloom organizations and (ii) Primary Handloom Weavers Cooperative Societies etc. by way of reimbursement of 10% rebate on sale of handloom cloth generated by them through their emporia and other sales outlets and / or by organizing/ participating in special fairs, exhibitions, participating in National/ Special Handloom Expos, District Level events etc. This would supplement their ongoing marketing efforts thereby creating scope for keeping the production cycle alive and sustain thereby the existing employment of handloom weavers.

3. Implementation of the Scheme

The Scheme will be implemented through the State Governments. The implementing agencies will prepare their claims in the prescribed proforma and submit it to the Director-in-charge of Handlooms of the respective State who in turn will scrutinize the claim and submit the same to the Office of the Development Commissioner for Handlooms along with his recommendation for release of eligible amounts. The assistance will be released to the State Governments/ UTs for payment to the implementing agencies. In the case of National Level Handloom Organizations that do not come under the control of the State Government, the assistance will be released directly.

4. Duration of the Scheme

The proposed Rebate Scheme would be reintroduced for a period of three years w.e.f. 1.4.2006 and will continue upto 31.3.2009.

5. Budgetary support

The Scheme will be 100% funded by the Central Government with a budgetary support of Rs. 100.00 crore.

6. Calendar of festivals

The calendar of festivals to implement the scheme is as under:

Name of the festival	No of days
Mahavir Jayanti & Good Friday	9 days
Milad-un-Nabi (Birthday of Prophet Mohammad) and Budha Purnima	9 days
Rath Yatra	9 days
Independence Day/ Ganesh Chaturdashi/ Parsi New Year/ Onam/Raksha Bandhan	20 days
Gandhi Jayanti/Dussehra/ Durga Puja/Depawali/ Bhai Duj & Id-UL-Fitr	45 days
Christmas Makar Sankranti/ Magh Bihu/Pongal	26 days
Holi	10 days
Total:	128 days

7. In addition to the above, sales generated at all the National Level Handloom Expos/ Special Handloom Expos/ District Level Events/Crafts Melas etc. approved by the Development Commissioner for Handlooms shall also qualify for reimbursement of special rebate @ 10% of the value of handloom goods sold. The State Government and UTs shall have the option to extend the benefit of this Scheme for a period not exceeding a **total of seven days** for any one identified important festival/occasion other than the festivals mentioned under **para 6 hereinabove**, after taking approval from the Development Commissioner for Handlooms.

8. Beneficiaries:

The ultimate beneficiaries will be the handloom weavers and then the implementing agencies as with the introduction of the scheme, the implementing agencies will be able to sell the handloom stocks available with them by giving rebate on such sales, thereby ensuring the scope for further production/ Procurement of handloom stocks from their members (s) weavers (s)/ member societies/ handloom weavers' cooperative societies.

9. Rate of Special Rebate:

The special rebate shall be in the form of reimbursement upto 10% of the value of handloom cloth sold by the implementing agencies by giving rebate on the events/ festivals as specified under **Para 6 & 7 above**.

10. Terms of reimbursement:

- i) The entire assistance under the Scheme will be in the form of Central grant to be released through the State Government. The assistance to the National level organizations will be released directly.
- ii) The 10% rebate will be available on total sales of all handloom items by the relevant agency during the period of operation of scheme. However, the State Government/Handloom agencies will be free to exclude any item (s) from such sales, which in their judgment will sell on their own. However, this decision will have to be taken before hand. Needless to point out that sale of such excluded handloom items shall not qualify for reimbursement of rebate under this Scheme. The reimbursement of rebate shall be made on retail sales only generated by giving rebate.

- iii) The rebate will be available for retail sales to consumers and will not be available for stock transferred from primary to apex level organizations etc. It is also to be noted that on the same item, rebate is not given or claimed more than once.
- iv) The implementing agencies will submit their claims on a periodic basis as specified by DC (Handlooms) in the prescribed proforma enclosed at **Annexure-I** to the State Governments. The State Government will scrutinize the same and forward it with its recommendation to the Government of India for release of funds along with a consolidated statement as at **Annexure-II**.
- v) The national level handloom organizations, (a) AIHFMCS, (b) HHEC and (c) NHDC etc. will submit their claims in the prescribed proforma directly.
- vi) The State Governments will send their claims of all the handloom agencies of the State for the particular period only once with the certificate that the claim made is full and final for the period for which the claim has been preferred.
- vii) The implementing agencies will be required to give a certificate that claims under the Scheme have been preferred in respect of sale of handloom products produced/ or procured by them from their member societies or weavers attached to them.
- viii) The reimbursement of rebate shall not be available on handloom cloth sold by an agency in bulk or to Government Departments or to any other National/ State Apex Handloom Societies/ handloom agencies or to any other handloom agency on barter system or on cloth sold on commission basis during the currency of the scheme.
- ix) A certificate shall have to be given that the rebate, for which reimbursement has been claimed, has actually been given on sale of handloom cloth and that the assistance preferred now has not been claimed under any other Scheme.
- x) The reimbursement will be made to the implementing agencies on the basis of claims received in the prescribed proforma through the State Governments with its recommendations supported by a certificate furnished by the Chief Executive of the concerned agency and by a Chartered Accountant/Cooperative Auditors under their seal with their registration number, as the case may be, on the basis of verifiable records.

xi) The certificate should be countersigned by the State Director/Commissioner/ Officer in charge of Handlooms. Such records shall be open to scrutiny by Audit, Government of India and/ or Office of the Development Commissioner for Handlooms. In the case of national level organizations, the reimbursement will be made on the basis of a certificate furnished by a Chartered Accountant/Cooperative Auditors under their seal with their registration number, as the case may be, on the basis of verifiable records. This certificate should be countersigned by the Chief Executive of the agency. Such records shall be open to scrutiny by Audit, Government of India and/ or Office of the Development Commissioner for Handlooms.

11. In order to ensure that no State gets disproportionately high share of total allocations, thereby leading to denying the reimbursement to other States, the rebate facilities will be extended from one festival to the other. Therefore, the Directors in charge of Handlooms will submit the preliminary figures of rebate sales and amount of rebate due for reimbursement from the Office of the Development Commissioner for Handlooms on a festival to festival basis within a month of closure of the festival/event failing which the Primary Societies of that State.
12. Particular of all the handloom agencies of a State may be indicated in the proforma placed at **Annexure-II** and the same shall be signed by the Director in charge of Handloom of the concerned State event-wise /festival-wise.
13. It may be ensured before sending claims to this Office that the claim documents are signed by all the concerned at the proper places and countersigned by the Director in Charge of Handloom of the State. A consolidated statement containing the details of the claims of the society(s), festival/event wise etc. to which the claim pertains, the sales generated during the event and the central share of 10% rebate claimed on the sales may please be furnished in a **floppy along with a hard copy** to enable us to release the central assistance immediately. It may kindly be noted that the state government should furnish only one claim for each event/festival/melas etc. and that the Director of Handlooms should certify while preferring the claim that “the claim preferred hereunder covers all the eligible agencies of the state and is full and final in respect of the event/festivals (mention the event for which the claim has been preferred). It is also certified that no further claim would be preferred by the state for the same event in respect of any other society.”