

CHAPTER - I

COTTON TEXTILE INDUSTRY AND METHODOLOGY OF THE SUBJECT

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C H A P T E R - I

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1.1) THE COTTON TEXTILE INDUSTRY :

Introduction -

Textile industries mostly produce articles of clothing. They use a variety of raw materials of vegetable origin like cotton, jute, flax, hemp and of animal origin like wool, mohair, hair and silk. The so called synthetic fibres are derived from vegetable substances, such as wood pulp and cotton linters. The more important branches of textile industry are -

- 1) The Cotton textile Industry
- 2) The Woolen Industry
- 3) The Silk Industry
- 4) The Jute Industry
- 5) The artificial silk and rayon Industry

As my study pertains to a unit in the Cotton textile industry, let me first take a brief survey of the various aspects of this industry.

The manufacture of cotton cloth is one of the oldest industries of the world. Probably it originated in India. For many centuries, hand spinning and handlooms were the rule. But the real development of this industry started in the 18th century after a series of British inventions such as Hargreaves spinning jenny, Crompton's mule, Cartwrights powerloom and subsequent inventions of steam engine and cotton gin.

These inventions led to a rapid growth of the cotton mill industry in Great Britain during the 18th century. It spread to many countries of Europe and to U.S.A. and Japan in the 19th century. During the present century it

has been very well developed in U.S.S.R., China, Egypt, Mexico, Brazil, Turkey and in many other countries while in its original home of India the industry has become national in character, but facing some important problems.

The cotton textile industry involves processes like - i) Ginning
ii) Carding iii) Spinning iv) Weaving and v) Dyeing and bleaching.

The process of ginning separates seed from the fibre. By carding the fibres are made parallel to each other. Spinning yields the yarn and weaving yields the cloth. Ginning is done in ginneries (or ginning factories) which are usually situated in the cotton growing areas. Only ginned cotton enters into international trade channels. The other four operations, namely carding, spinning, weaving and dyeing are done in cotton mills. A single cotton mill may do all the four operations. Such mills are known as composite mills. Otherwise there may be mills specialised with one or two of these functions. In Great Britain and in many countries of Europe, mills have specialised functions like spinning or weaving or dyeing. In the U.S.A. and in many other countries, mills have composite functions. In the Central Asiatic Mills of U.S.S.R. all the operations from ginning to dyeing are often done in one establishment. Such mills are known as cotton combines.

The fineness of the yarn is indicated by the term 'Count'. Count means the number of hanks (probably Bengali lachhi in India) which can be produced by a pound of cotton. Length of yarn in each hank is 840 yards. For example, a 40^S count yarn means that $840 \times 40 = 33,600$ yards of yarn are produced out of one pound of cotton. Higher the count, finer the yarn. Therefore, for finer yarn, consumption of cotton is smaller and for coarser

yarn consumption of cotton is much more. Only long stapled cotton is used for producing yarns of higher counts. Sea Island cotton and Egyptian cotton can be spun into yarns of even 300 counts.

Now-a-days cotton accounts for about 50 % of world's industrial fibre consumption. Man made fibres are in the second place and they account for nearly 20 % of all industrial fibre consumption. Many cotton spinning and weaving mills of advanced countries do not keep themselves wholly confined to cotton. Besides cotton yarn, they also spin yarns from manmade fibres e.g. rayon, terelene, nylon etc. Blended yarns like teri-cot, cots-wool, teri-wool; and fabrics thereof are also produced by them. Quality of these blended materials varies according to the percentage of different fibres in them. Fabrics made of blended yarns are now gaining enough of popularity for their finer texture, durability and cheapness.

I give below a table showing the production of cotton fabrics; in some selected countries.

Production of Cotton Fabrics

A = Pure , B = Mixed

Country	Type of production	Unit	1965	1970	1974	1977	1983
U.S.A.	A+B	Million Meters	8,477	5,701	4,310	3,779	4,250
India	A+B	"-	7,651	7,849	8,285	6,902	9,665
U.K.	A	"-	928	627	410	368	380
Pakistan ²	A	"-	657	720	648	436	450
Bangladesh	A	"-	-	-	72	62	60
U.S.S.R.	A+B	Million Sq.Mtr.	5,975	6,653	7,196	7,461	7,561
Japan	A+B	"-	3,013	2,616	2,163	2,266	2,365
Hong Kong	A	"-	543	645	558	676	660
West Germany	A+B	Thousand Tonnes*	271.7	182.4	182.0	169.7	170.0
France	A+B	"-	197.7	201.6	205.0	182.4	183.0
Italy	A+B	"-	102.6	128.6	140.4	131.5	175.0

(P.T.O. for explanation...)

Explanation....

1. Including handloom and powerloom production of the decentralised sector.
2. Mill Production only.

* On an average, one tonne of cotton fabric roughly represents 9000 sq.meters. Figure in tonnes may be multiplied by 9000 to get the approximate figures in Sq.metres.

Source - U.N. Statistical Year Book and Monthly Bulletin of Statistics.

After the fall of the British leadership, the U.S.A. became the world's largest producer of cotton textiles. But there also it is now a declining industry. In 1965 U.S.A. produced 8,477 million meters of cotton cloth but in 1983 her production came down to 4250 million metres and was surpassed by India, U.S.S.R. (and probably by China). U.S.A. is also a large producer of raw cotton generally of finer quality. The U.S.A. cotton mills are mostly composite mills having spinning, weaving and finishing in the same establishment. In India the number of composite mills is comparatively less and specifically composite mills are centralised in Bombay and Ahmedabad.

Now I would like to give a table which reveals the trend in the sharing of export market in cotton textiles.

Sharing of export market in Cotton Textiles.

(in million Sq.Yds. upto 1960 and in million Sq.Meters from 1963)

Year	World's total export	Japan	U.K.	U.S.A.	India
1938	6,450	2,510	1,720	252	808
1950	5,600	1,103	822	558	1,109
1956	5,439	1,262	474	519	747
1960	6,940	1,425	327	439	724
1963	4,714	1,008	186	303	486
1964	4,896	912	176	324	503
1965	4,577	1,008	172	258	507
1983	5,500	1,100	170	350	550

Source - 'A new approach to Economic Geography' by G.L.Guha & P.R.Chattoraj Chapter No.19, Page No.508.

After war-damages Japan's Textile Industry has been completely renovated with the most modern and efficient machines. So the above table shows Japan's significant position in the export market of cotton textiles. Now she produces better stuff at cheaper cost. Even before war, Japan had captured most of the British market of the East Asiatic and African countries which prefer coarse and cheap goods as produced in Japan. Her textile goods are exported not only to the countries of Asia and Africa but also those of Europe, South America and to Australia. In short, throughout the world, Japanese textiles have a stronger footing in the market of cheap and coarse goods.

1.2) HISTORICAL DEVELOPMENT OF THE COTTON TEXTILE INDUSTRY IN INDIA :

INTRODUCTION :

Cotton textile industry holds the premier position among all the industries in India, by virtue of both age and magnitude. The origin of the cotton textile industry, the largest single industry in the country dates back to 1818, when the first cotton mill was established at Fort Gloster, near Calcutta. It is 170 years old.

The writings of Marco Polo in the 13th century, and Tavernier in the 17th Century stand testimony to the degree of excellence and perfection achieved by textile industry in India.

Originally, all cotton cultivated in India grew on the perennial type of plant known as *G.Arborium Var Neeglectom* which was form of *Bengalenses* in north and Western India and of form *Indicum* in Central and South India.

It is believed that the 'Webs of the Woven Wind' - the world famous Dacca Muslin was made from form Bengalenses.

Until about the middle of the 18th century Indian textiles were supremers in foreign markets, but during the industrial revolution in the West, Indian cloth began to close its overseas market. Realising the significance of the revolution the East India Company changed its role of an exporter of cloth too and encouraged a wider cultivation of cotton in India. Thus began the cultivation of cotton as a commercial crop. Since the production of cotton went on increasing India has the largest area in the world under cotton cultivation, which is more than $1/4^{\text{th}}$ of the total world acreage.

The industry was started largely as spinning enterprises and gradually developed into a full fledged composite one. The first power mill was set up in Bombay by a Parsi pioneer Mr. Kasvaji Nusshai Dawer in 1854. The textile industry which is the oldest and most firmly established industry, at present provides direct employment to $1/5^{\text{th}}$ of the total labour force employed in the entire organised industrial section in the country. Besides this direct employment a large number of the workers are employed in the manufacture of textile machinery stores and spare parts, dye chemicals textile accessories and auxiliaries. The wages paid by the mill sector of the industry are higher than in other organised industries.

However, the present situation of the textile industry, is not so good, because of several factors such as high cost of labour, raw materials, stores and spare parts and high rates of taxation. As a result of this the profitability of the industry has declined.

The labour force in the textile industry in Maharashtra is highly organised and conscious of its rights and interests. The maintenance of good working relations is a matter of utmost importance in the smooth running of the industry. Workers in India are more conscious about their salary and security. They realise that they and their family members may have to starve if they lose a job. After independence the Government of India has been playing an important role in shaping the industrial relations in the country.

Table showing the growth of Cotton Textile Industry in India.
(Spindles in 000's)

Year	Spinning Mills		Composite Mills		Looms (000's)	Total	
	Number	Spindles	Number	Spindles		Mills	Spindles
1951	103	1840	275	9150	195	378	10990
1961	192	3050	287	10610	199	479	13660
1969	358	5310	289	12120	208	647	17430
1980	370	8160	291	12520	206	661	20680
1982	525	10130	280	12400	211	805	22530

Source - Times of India Directory and Year Book, 1983.

The cotton textile industry consists of three distinct categories in the organised sector. These are -

- 1) Spinning Mills
- 2) Coarse and Medium Composite Mills
- 3) Fine and Superfine Composite Mills.

Spinning mills are generally small in size. Raw material constitutes 75 to 80% of the cost of production. Coarse and medium composite mills are not able to

adjust their cost in the face of rising prices of raw material and increase in wages. Consequently many of them become uneconomic units and run into difficulties. Fine and Superfine composite mills use foreign cotton, they are not subject to stock restrictions and can therefore, carry on staple production programmes. Whereas spindles have grown from 11 million in 1951 to 22.5 million in 1982 signifying an increase of 100 %, the loomage has grown from 1.95 lacs in 1951 to 2.1 lacs in 1982, signifying an increase of only 6 %. It only highlights the fact that the weaving capacity has been subject to restraints, whereas a more liberal policy has been pursued in the installation of spindles.

1.2.1) Locational Pattern

Because of the development of transportation, development of hydro-electric resources, cheaper labour costs, maximum availability of raw cotton extreme congestion in large cities (lack of space), higher rents, taxes, increasing cost of living etc. the cotton textile mills are now most widely dispersed throughout the country - scattered over more than 75 towns with various degrees of intensity. This industry has developed today, practically in every state.

The following table reveals the distribution of cotton textile mills in 10 States (cotton growing) which account for 80 % of total mills in 1965 as well as in 1983.

Cotton Growing States	Number of Mills in 1965	Number of Mills in 1983
Maharashtra	99	95
Gujrat	112	112
Tamil Nadu	140	191
Karnataka	22	26
Madhya Pradesh	21	22
Rajasthan	15	18
Andhra Pradesh	17	29
Pondicherry (U.T.)	3	5
Punjab	10	8
Hariyana	-	8
Total	439 (80% of the total)	514 (80% of the total)

Source - 'A new approach to Economic Geography' by J.L.Guha & P.R.Chattoraj, Ninth Edition - 1985, Chapter No.19, Page No.513.

The following table reveals the distribution of cotton textile mills in 8 states (non-cotton growing) which account for 20% of total mills in 1965 as well as in 1983.

Non Cotton-growing States	Number of Mills in 1965	Number of Mills in 1983
Uttar Pradesh	30	31
Delhi	8	4
West Bengal	41	39
Orissa	6	4
Bihar	3	5
Assam	1	2
Kerala	18	22
Jammu & Kashmir	-	1
Total	104 (20% of the total)	108 (20% of the total)

Source: Ibid page no.514

The above tables reveal some important facts as detailed below -

- 1) Approximately 80% of the mills are situated in the cotton growing states.
- 2) 20% of the mills are situated in the non-cotton growing states.

Although these mills are scattered in many towns throughout the country, there is a remarkable concentration in four different zones :

(a) The Western Zone - Maharashtra and Gujrat

This localisation is mainly due to the availability of raw material. Other advantages are humidity of climate, existence of harbours, availability of hydro-electricity, local market and labour.

(b) The Eastern Zone - West Bengal (around Calcutta)

This localisation is due to the wide extent of the local market. Other advantages are the situation of the port, humidity of climate, availability of labour, excellent transport facilities and coal of Jharia and Raniganj.

(c) The Northern Zone - West Utter Pradesh, Delhi and Punjab

This localisation is due to the availability of the local markets, local labour and transport facilities.

(d) The Southern Zone - Tamil Nadu, Kerala and Karnataka

This localisation is due to the availability of raw material, hydro-electricity, local market and labour humidity of climate and existence of harbours. In recent years this zone has made the most remarkable progress specially in spinning.

It is interesting to note that all these four zones and exactly many of those centres were well developed in textile production even before the coming of machine production. Still there are innumerable small establishments of handlooms and powerlooms in each of these zones. They provide important markets for the mills. Handloom units are particularly important in the Southern and Eastern zones. In the Southern zone, most of the establishments are spinning mills and they feed many handlooms and powerlooms of the region. In 1983, there were 191 mills in the state of Tamil Nadu of which 166 were spinning mills.

1.2.2 Production Pattern :

Today 38 lakh active handlooms in the country contribute more than half of the country's textile output. The planned programmes aim at maintainⁱⁿg mill production 5000 million meters and all excess demand is to be met by the decentralised sector of handlooms and powerlooms, specially by cooperative units. The increased demand of yarn from handlooms and powerlooms will, however, be met by an expansion of the spinning section of the mill industry and also by an increased use of Ambar Charkha. The programmes give a special attention to the specialisation of mills in spinning. In 30 years between 1951 and 1980, mill production of cloth increased by 12% (approximately) when the handloom production increased by more than 440 %. India is now the largest producer of cotton textiles, though sometimes her production is surpassed by that of U.S.S.R. In 1982-83, India produced 9665 million meters of cotton cloth and 1200 million kgs. cotton yarn.

Table showing the total production and % of Mill sector and Decentralised sector in total production

Year	Total production of cloth (Million Meters)	% of Mill Sector in production	% of Decentralised sector in production
1950-51	4740	79	21
1960-61	6690	69	31
1970-71	7600	53	47
1980-81	8370	41	59
1981-82	7883	37	63
1982-83	7953	30	70
1983-84	8770	31	69
1984-85	9040	29	71
1985-86	9130	28	72

Source - India : Pocket Book of Economic Information, 1971, Economic Survey 1983-84, 1986-87.

The above table shows that the total production of cloth is increasing but the share of the mill sector in total production is declining while on the other hand the share of the decentralised sector in total production is increasing remarkably. Thus the decentralised sector is becoming more and more important in textile industry.

The Following table shows the pattern of cloth production by the mill sector.

(Production in Million Meters)				
Type of cloth	1965	% of total	1978	% of total
Coarse	823)	44 %	442)	42 %
Medium B	1040)		910)	
Medium A	1840)	56 %	1684)	58 %
Fine	220)		86)	
Superfine	320)		129)	
Total	4587	100 %	3251	100 %

Source - The Times of India Directory and yearbook 1980-81

The above table reveals that the production pattern of the Mill sector shows a preference in favour of the fine varieties. Coarse and medium B type cloth which accounted for 44 % of total production in 1965 declined to 42 % in 1978. In comparison, the share of superior varieties - Medium A, Fine and Superfine, improved from 56 % to 58 %, during the same period.

1.2.3) Some Noteworthy Changes in the Cotton Textile Industry in India :

Cotton Textile Mills in India are now encouraged to specialise in spinning, while weaving is largely encouraged in many small units of handloom cooperatives. Thus, India is gradually approaching the Japanese pattern of textile industry. In Japan large mills are mostly engaged in spinning while the major part of the woven textiles is produced in small weaving establishments, most

of them having less than 100 looms. Of course, Japanese small weaving units are all equipped with the most modern powerlooms and this has been possible by the extensive use of hydro-electricity. In India also, the programme aims at converting handlooms into powerlooms; but for this purpose we need more extensive use of hydro-electricity. Till 1977, there were 38 lakhs handlooms of which 12.7 lakhs were in the cooperative sector. Three lakhs of powerlooms were in operation in 1977.

The Decentralised Sector (handlooms and powerlooms) is becoming a more and more important source of textiles. In 1951 the decentralised sector supplied 21.3 % of the total production of Indian fabrics, but in 1982-83, 57% of Indian fabrics came from this sector while the mill sector produced only 43% of them.

Previously, organised mills and the handlooms were keenly competing with each other. But now under the plans they are becoming more and more interdependent.

A) Pattern of Consumption in Textiles :

The pattern of consumption is also changing. Manmade fibres are slowly entering the consumption pattern and increasing in importance. This will be clear from the following table :

(Contd....

Table showing the per capita availability (consumption) of cloth (in Meters)

Period	Cotton Cloth	Man-made fibres	Total
1960-61	13.8	1.2	15
1970-71	13.6	2.0	15.6
1980-81	11.2	2.8	15
1981-82	10.6	4.3	14.9
1982-83	9.8	3.7	13.5
1983-84	10.8	4.0	14.8
1984-85	10.6	3.9	14.5
1985-86	10.8	4.0	14.8

Source - Compiled from Economic Survey 1985-86 and 1986-87.

The above table shows that there has been a decline in the consumption of cotton cloth from 13.8 meters in 1960-61 to 9.8 meters in 1982-83, but it has increased thereafter. The per capita consumption of man-made fibres has increased from 1.2 meters in 1960-61 to 4.3 meters in 1981-1982, but after 1981-82 there is a decline. The total consumption of cloth was constant from 1960-61 upto 1981-82 after which it declined. Because of the increasing use of the polyester and blended fabrics the consumption of cotton cloth has declined. It has been estimated that one meter of polyester and blended fabrics replace three to four meters of cotton cloth.

B) Export Trade in Cotton Textiles :

India has a commandable position in the World's export trade of cotton textiles. She is the second largest exporter surpassed only by Japan. In order of importance, U.K., Sudan, Indonesia, Kenya, Nigeria, Australia, Singapore, Ceylon and Burma are the principal customers of India. Due to the availability of local cotton, cheaper labour and hydro-electricity, India has a special advantage in coarser varieties, which are largely wanted in the markets of Asia and Africa. Yet the present state of affairs is not very encouraging. Since 1957, India's share in the world export of textile goods has been persistently declining. In 1950 India exported 1109 million yards of textile goods but in 1983 she exported only 550 million meters. Since 1966 the industry (specially the mill sector) has been virtually passing through a crisis for want of internal as well as external markets. India is, however, a leading exporter of cotton apparel, cotton yarn and manufactures.

Table showing the Annual exports of cotton textiles.

(Rs. in Crores)

Items	1960-61	1970-71	1980-81	1981-82	1982-83	1983-84	1984-85
Cotton Yarn & manufactures	91	75	277	330	266	305	451
Cotton apparel	n.a.	9	378	596	528	692	919

Source - India's Balance of Payments, 1948-49 to 1961-62;

Reserve Bank of India Bulletins, and Economic Survey, 1985-86.

1.2.4) Problems of the Cotton Textile Industry in India :

Although India is a big producer of raw cotton, for finer fabrics she has to import long staple cotton from U.S.A., Egypt, Sudan, East Africa and Pakistan. In 1950 foreign cotton accounted for 35 %^{of} Indian mill consumption. During the last 10 years, production of local long staple cotton has substantially increased. In 1982-83 Indian mills consumed about 66 lakh bales (170 kg. each) of cotton, of which about 8 lakh bales were imported.

Textiles is the third largest item of our export and it earns a large amount of much wanted foreign exchange. In employment potentiality, the cotton textile industry with its subsidiaries, surpasses all other industries of the country. Yet the Indian textile industry is overburdened with old, obsolete and inefficient machinery. In the mill sector there are only 28000 automatic looms when the number of ordinary looms is 181,000. In the decentralised sector again the number of handloom is nearly 38 lakhs. In fact, judged from international standard of modernisation and efficiency, India is far behind many other nations. She is losing her competitive capacity in international markets. Even Hong Kong and Pakistan, with modern machines and automatic looms, are becoming formidable competitors. Many Cotton textile mills of India are uneconomic in size. This vital industry of the country should not be kept in such a state of affairs. It needs rapid modernisation and rationalisation. The major causes for the high cost and poor competitive position of the industry or in other words some of the problems of the industry are as follows -

(a) Erratic Government Policy

On the 6th June 1985 the Government of India announced a new textile policy (Stated separately on the page no. 21). The main task of the new textile policy is to increase the production of cotton cloth of acceptable quality at reasonable prices to meet the clothing requirements of a growing population. While pursuing this main objective the employment and export potential of the industry shall be kept in view.

The New Textile Policy has accepted all the demands of millowners in the name of modernisation, upgradation of technology and rationalisation of labour in sick units. The policy, therefore, is pro-capitalist. Although it has at every stage emphasised that the interests of workers will be fully protected, this is more in the nature of a prescription rather than an effective policy instrument. Already the impact of the policy in terms of its adverse effect on the powerloom sector both in terms of output and employment has become manifest. Its overburdening the handloom sector with the responsibility of producing controlled cloth at cheap rates for the poor is likely to hit the handloom sector. Thus it would be correct to say that the New Textile Policy follows the production approach and has not aimed to reconcile the employment and production objectives in the real sense.

(b) Shortage of Power

The supply of power is inadequate and irregular. The shortage of coal has adversely affected the progress of the industry in the Western section.

(c) Labour Problems

Workers try their best to increase their wages and improve other facilities. To achieve this they resort to the weapons of strikes, morchas etc.

and because of the sympathetic attitude of the Government towards workers, they get their demands accepted.

Although wages have gone up, labour productivity continues to be low and compares very unfavourably with labour productivity in other countries. In India, a worker looks after two to four ordinary looms, whereas his counterpart in Japan manages 48 automatic looms and in the United States 60 automatic looms and even in Uganda, which has only recently started the development of this industry a worker manages 24 automatic looms.

(d) Existence of inefficient and uneconomic units

Many of the units are working at loss and some are working at marginal or slightly above marginal efficiency. If the development of the cotton mill industry is desired, Government must do something for the economic operation of these sick mills though it is rather difficult.

(e) Shortage of finance

This is another serious problem. Whereas the requirements of finance have increased owing to the rise in the costs of all inputs, the banks are following a credit restrictive policy. The credit squeeze policy pursued by the Reserve Bank of India in recent years has resulted in shrinkage of credit facilities. It has adversely affected both the turnover and the production.

(f) Replacement of old plant and machinery

More than 75 % of the machinery in Bombay mills is more than 25 years old and mostly worn out. This has reduced the productivity of the industry and thus increased the cost of production.

A study of NPC (National Productivity Council) has revealed that the Indian Textile Industry is losing 184 million kgs of cotton yarn annually because of the economically inefficient and technically obsolete machinery. This industry, which accounts for 1/5th of the total gross national product generated in the industrial sector, is also losing 182 million kg of woven piece goods owing to underutilisation because of old equipment and plants. As there is a lack of adequate resources to finance replacement, the problem becomes critical.

Unless the mills are modernised they cannot make profits and unless they make profits they cannot modernise. Under these circumstances, it is necessary that the Government should assist the industry by providing loans at concessional rates of interest to help such replacements.

The present machinery is not only old and worn out but also obsolete in design and out-dated. It requires to be replaced by modern equipment such as installation of automatic looms. But the difficulty is that of unemployment being caused thereby and therefore of serious opposition to it by the organised labour.

(g) Problem of Raw Material

The industry faces the problem of ensuring a regular supply of its raw material (cotton) in adequate quantities. The cotton constitutes the largest single element in the cost of yarn and cloth production. Despite the importance of the industry and the long period of its growth the position of raw material has remained unstable. The most disappointing feature of cotton cultivation is that India has the largest area under cotton cultivation (26% of the World average) but it accounts for only 10 % of the world output of cotton. India

produces 112 pounds per acre as against 693 pounds in Egypt, 794 in USSR, 433 in USA, 239 in China and 242 in Pakistan. What is therefore, more important from the point of view of the development of the textile industry is the cultivation of cotton in a larger quantity and also of a superior quality.

(h) Rising cost of production

This is due to the higher prices of raw cotton, continuously rising wages, (these two items constitute 80% of the total cost), lower productivity of the workers and the high cost of modernisation.

(i) Increasing competition

Competition in both domestic and foreign markets from Japan, China Pakistan and Hong Kong is getting keener. In many of the importing countries modern textile mills are being installed.

Thus cotton textile industry is facing both short-term and long-term problems. The short term problems facing the industry are high prices and shortage of raw materials and liquidity problems due to poor sales and large accumulation of stocks as a result of poor demand.

The long-term problems of the industry are the slow pace of modernisation of ageold plants and machinery, outdated technology resulting in low productivity, high cost of production, low profitability and increasing sickness.

1.3 THE NEW TEXTILE POLICY

On the 6th June 1985, the Government of India announced the new textile policy. The main task of the new textile policy was to increase the production of cloth of acceptable quality at reasonable prices to meet the

clothing requirements of a growing population. While pursuing this main objective, the employment and export potential of the industry was kept in view.

The new textile policy proposed a restructured framework, having the following three dimensions :

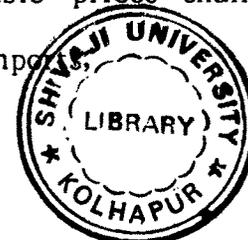
- (a) the industry shall be viewed in terms of stages of its manufacturing process, namely, spinning, weaving and processing.
- (b) the industry shall be provided with fuller flexibility in the use of various fibers, and
- (c) the industry shall be subjected to more pragmatic policies regarding creation or concentration of capacities by units in order to increase competition and promote healthy growth in industry.

As a natural corollary of the restructured framework, the new textile policy states :

"For the purpose of policy, powerlooms in the organised mill sector and in the unorganised powerloom sector shall, as far as possible, be treated at par and allowed to compete on the basis of their inherent strength and capabilities". Similarly, in the processing sector independent power processors and processing houses in the mill sector would also be treated at par.

The multi-fibre approach in the new policy will be guided by the following considerations.

- (a) Full fibre flexibility between cotton and man-made fibre yarn would be provided,
- (b) adequate availability of man-made fibre/yarn at reasonable prices shall be ensured by increased domestic production supplemented by imports.



(c) fiscal levies on man-made fibre/yarn shall be progressively reduced to encourage domestic production so that the benefit flows to the consumer in the form of lower prices; and

(d) the export window shall be kept open for man-made fibres/yarn.

Capacity expansion and capacity contraction would be allowed to the units, including their closure, wherever necessary and justified, provided the workers' interests are fully protected.

Regarding the handloom sector, to ensure higher earnings for handloom weavers, greater emphasis will be placed on the modernisation of looms and provision of technological and other inputs for improving productivity of handlooms and the quality and finish of handloom products. Besides, the production of mixed and blended fabrics on handlooms shall be encouraged. A contributory Thrift Fund Scheme to provide assistance to handloom weavers during times of need will be started. Last but not the least the responsibility for the entire production of controlled cloth shall be transferred to the handloom sector by the end of the seventh plan.

Take over and Revival of Sick Units

The New Textile Policy has made an elaborate statement on takeover and revival of sick units. For this purpose, units shall have to be classified as potentially viable and potentially non-viable to be tackled on a case to case basis.

In the case of potentially viable units, a rehabilitation package comprising of provision of balancing equipment, replacement of existing machinery, change of product mix, better marketing strategy, rationalisation of labour etc.

will have to be worked out. In cases, where sickness is the consequence of inept management, existing management may have to be changed.

However, where a unit has no expectation of becoming viable in a reasonable period of time, there may be no alternative but to allow the unit to close provided the interests of workers are protected. Rationalisation of labour and revision of work norms would need to be negotiated with labour to arrive at satisfactory solution.

Two main problems faced by National Textile Corporation are obsolete machinery and excess labour. In order to update the technology, National Textile Corporation spent a total amount of Rs. 336 crores till March 31, 1986 on rehabilitation/modernisation.

The New Textile Policy in the same breath categorically states: "Takeover by the Government or nationalisation of such sick units does not provide solution to the problem of sickness and the Government would not, as a rule, intervene in such cases."

Modernisation of various processes

Modernisation in the spinning, weaving and processing sectors shall be undertaken on the basis of carefully identified needs of each unit as to installation of balancing equipment, renovation of existing machinery, replacement and technology upgradation. For the purpose of modernisation, adequate funds would continue to be provided in adequate measures under the soft loan scheme of the Industrial Development Bank of India. In order to enable the industry to generate internal resources, a Textile Modernisation Fund shall be created. Liberal imports of such textile machinery, which is not manufactured indigenously, will be permitted at or near the international prices.

An assessment of the New Textile Policy

There has been a mixed reaction to the New Textile Policy. Mr. Kanti Kumar Podar, President, Indian Cotton Mills Federation described the policy as " Progressive, pragmatic and futuristic". Similarly, Mr. Pratap Bhogwal the Indian Merchant Chambers President viewed it as administering oxygen to the industry which had been too long reeling under various chains - the "sector specific or fibre-specific". In the same vein Mr. Manharlal Shah, Chairman, Mill Owners Association welcomed the new policy, specially the reduction of fiscal levies on man-made fibres and yarn, the liberal import of machinery which was not indigenously manufactured and the permission to close down unviable units. The mill owners also viewed it as a welcome departure from the earlier perception under which non-cotton fabrics were treated as luxury items and taxed heavily.

The critics of the policy see in it a total surrender to big business. They believe that much that is expected as a result of new concessions is not likely to materialise.

Firstly, the Government believes that as a result of the reduction in fiscal levies on synthetic and blended fabrics, there will be substantial encouragement to production so as to meet the peoples requirement of cloth on the one hand and lower prices on the other as a result of the forces of competition which will be generated in the process. If past is any guide, then it is very likely that benefits of lower fiscal duties will only go to enhance the profits of the mill sector and in an imperfect or monopolistic market structure, the benefits will not be passed on to the consumer.

Secondly, the powerloom sector is likely to be seriously hit with the new textile policy, particularly the replacement of the traditional vertical productive sector such as handloom, powerloom and composite mills with the new horizontal sectors - spinning, weaving and processing and placement of unorganised in the same category of the organised mill sector. In fact, the vertical classification was designed to help the less capital intensive units to survive against the unequal strength of the more powerful units. But the new textile policy by adopting a horizontal classification has granted additional advantage to the mill sector; simultaneously, it has deprived the unorganised sector of the advantages enjoyed earlier. The relatively weak powerloom sector units under the new dispensation have been asked to compete with the strong mill sector " on the basis of their inherent strength and capabilities". The organised sector which always pleads for a sheltered market against international capital is keen to prove its strength and competitiveness against the medium and small sector.

The powerloom sector believes that as a result of enhancement of excise duty at the yarn spinning stage, unorganised powerlooms have to pay a higher price, but the composite mills which weave yarn spun at their own mill will reap a differential advantage in terms of cost of transporting yarn, in octroi and sales tax. Consequently, the powerloom units would have to function only as " the job-worker" for the organised mills and survive on the paltry conversion charges. Soon after the Union Budget of 1985-86, reports began to pour about the depressive state of powerloom sector and its replacement in production by the organised mill sector resulting in unemployment of the powerloom workers. This trend is likely to be intensified. It was the

excise difference between the composite mills sector and the unorganised sector that led to the proliferation of the powerloom sector. The Government by withdrawing the differential advantage will only hasten the process of closure of powerloom or force them to become the underpinnings of the organised mill sector. It may be noted that the total number of workers rendered unemployed increased from 82818 as on March 31, 1984 to 1,07,284 at the end of March 1985.

Thirdly, the responsibility of the production of entire controlled cloth has been transferred to the handloom sector. The organised mill sector is really happy that it has been absolved of its responsibility of production of controlled cloth. The Minister for Textiles justifying the Government policy in this regard said ; " As there was no excise levy on handloom cloth, price would be lower' . He said , some 70 lakh people were employed in the handloom sector and their interests had to be protected. In this connection it may be stated that differential excise duties were instituted in the handloom sector to help it to compete with organised mill sector since the cost of production in this sector was 15%to 20% higher. Therefore, the argument of excise as a differential advantage is fallacious. Moreover, with the economies of scale in a large multiproduct firm, it is possible to cover one item with a lower profit margin than in the handloom sector. The rate of growth of Reliance Textile and Mafatlals has been the fastest among the top 20 big business houses. They can produce cheap cloth with greater durability. Mr. Madhu Dandvate, the Janata Party leader rightly stated : "The new policy shifts from the organised mill sector, the social obligation of producing controlled cloth for common consumer involving less profits. One wonders whether this burden will

not transfer sickness into the handloom industry". The responsibility of the controlled cloth scheme on the handloom sector is, to say the least, inequitable.

Fourthly, the Government has pleaded for the closure of non-viable sick textile units. Although the Government has hastened to add that "the interests of workers would be fully protected", this is a contradiction which is difficult to resolve in the framework of the New Textile Policy. The All India Textile Workers' Federation (AIWF) in a very sharp comment lamented that "the policy is nothing but an object surrender to the blackmail in which the textile monopolies have been indulging through large scale closures, retrenchment, lockouts and lay-offs." The Government has created a Rehabilitation Fund out of which it proposes to provide relief to workers, affected by rationalisation of labour (a euphemism for retrenchment) for a limited period. The private sector has already adopted the philosophy of a 'golden handshake' with the workers to be terminated on the basis of rationalisation of labour. This explains why the AITUC thinks that "the policy on sick units is an invitation to mill owners to intensify their fraudulent practices and to render more units sick besides closing them".

To sum up, the New Textile Policy has accepted all the demands of mill owners in the name of modernisation, upgradation of technology and rationalisation of labour in sick units. The policy, therefore, is procapitalistic. Although it has at every stage emphasized that the interests of workers will be fully protected, this is more in the nature of a sop rather than an effective policy instrument. Already the impact of the policy in terms of its adverse effect on the powerloom sector both in terms of output and employment has become manifest. Its overburdening the handloom sector with the responsibility

of producing controlled cloth at cheap rates for the poor is likely to hit the handloom sector. Thus, it would be correct to say that the New Textile Policy follows the production approach and has not aimed to reconcile the employment and production objectives in the real sense.

1.4 METHODOLOGY

Methods used for this study

Following methods are used for the collection of data about Marathe Textile Mills, Miraj.

- 1) Questionnaire
- 2) Interview
- 3) Observation
- 4) Library Method

1 & 2) Preparation of Questionnaire and Interview Schedule

Taking into consideration the objectives of the study I have prepared a questionnaire and an Interview Schedule under the able guidance of Prof. N.S. Ambardekar. To assess the correctness of the questionnaire, I have pretested it and then made it final. For the purpose of getting information I have prepared a questionnaire for supervisors and managerial staff and an interview schedule for workers.

3) Observation

I have given repeated visits to Marathe Textile Mills to observe the daily routine working conditions, manufacturing process, welfare facilities the i.e. in a nut-shell, whole structure of the mill.

4) Library method

For the theoretical part viz. industrial peace in capitalistic, socialistic and mixed economies and for the study of cotton textile industry in general and industrial relations, various books and journals were referred to.

1.4.1 Data collection

While collecting data, I have used sampling method and various tools of data collection. Before selecting the sample I have taken steps as follows :

Preliminary steps

When I decided to undertake a study of this mill with special reference to industrial peace, I personally approached the manager, the labour officer and the labour welfare officer and convinced them about the purely academic nature and importance of the study. All of them agreed to give full co-operation and facilities to carry out my research work. Then I selected a sample as follows :

1) Sampling method

The MTM , Miraj is a private limited company since 1971. It employs 1058 workers and 60 officers. This includes administrative and technical staff. This was the situation when I selected the sample in 1987. A sample of 105 workers and 6 officers was prepared and I got the necessary information. I have taken maximum precautions to see that the information becomes reliable.

A) Selection of the sample

The word sample means a part of any collection of things, individuals or results of operations that are quantitatively expressed. I have selected

stratified random sampling method which integrates the advantages of both stratified and random sampling methods. I selected this method after carefully studying the nature and composition of the working staff.

B) Stratified Sampling

When the universe is heterogeneous with respect to variable under enquiry and is capable of being divided into relative strata, stratified sampling is the best method. In this method universe is divided into various stratas, possessing common or similar characteristics and from each stratum certain items are selected.

C) Random Sampling

Random sample is also called ideal sample. It is that sample which is drawn so that every member gets the equal chance of being selected from the universe and the selection of one in no way influences the selection of other. This is called chance sampling or probability sampling.

While collecting data, I have considered 11 departments (stratas) in the MTM and accordingly selected 10% workers and the same percentage from the office and supervisory staff. I conducted interview of the workers belonging to each strata, by applying random sampling method.

II) Tools of collecting data

To collect information, I have used primary data like questionnaire, interview schedule, observation and secondary data like written agreements, statistical returns, balance sheets of the Company and the hand-book of service conditions of operatives and clerks in the Bombay Cotton Textile Industry etc. Workers, officers and supervisors in the MTM gave maximum co-operation to carry out my data collection.

1.4.2 Analysis and Interpretation of Data

The information collected with the help of questionnaire, interview schedule and observation is analysed and interpreted with the help of proper statistical techniques and graphs.

1.4.3 Conclusions, Observations and Suggestions

After preparing the statistical tables and studying them carefully, I have drawn some important conclusions with the help of my research guide and also suggested some remedies to overcome the difficulties that MTM faces.

1.4.4 Report Writing

On the basis of the information collected and guided with my observations, the report has been written as per the order given below. Information is arranged in VIII chapters as follows -

- Chapter 1 : Cotton Textile Industry and Methodology of the subject.
- Chapter 2 : The Marathe Textile Mills, Miraj
- Chapter 3 : Overall Situation in The Marathe Textile Mills, Miraj
- Chapter 4 : Statistical Tables and Their Interpretations
- Chapter 5 : Industrial Peace : Theoretical Frame work of the subject and
The industrial peace in MTM.
- Chapter 6 : Present Position of MTM , Miraj
- Chapter 7 : Conclusions, Observations and Suggestions
- Chapter 8 : Appendices.