

# Chapter 3

## TEXTILE INDUSTRY SCENARIO.

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### 3.1 TEXTILE INDUSTRY SCENARIO

The origin of the cotton textile industry, the largest single industry in the country date back to 1818 when the first cotton mill was established at Fort Gloster near Calcutta. The grant of protection by the government and the swadeshi movement enabled the industry to make rapid strides. The industry reached the heights of prosperity during the second world war when the supply of Japanese cloth totally stopped and large orders came from allied army. The partition of India and the Indo-Pakistan trade deadlock after the devaluation of Indian Rupee in Sept. 1949 made the supply position of raw cotton extremely difficult and many mills had to close down temporarily. Later on , both imports and domestic supply of raw cotton was stepped up and cloth production increased considerably. This improved situation helped the government to abolish control of cloth in July 1953. ☉

In India, cotton has had a pride of place amongst cash crops from earliest times. At present the area under cotton crop is over 8 million hectares. In respect of the acreage, India occupies the foremost position among the cotton growing countries. As regards production, however it has the third place, the first two being taken by the U.S.A. & U.S.S.R. total value of raw cotton produced in the country amounts to as much as Rs. 2500 crores.

Cotton textile are manufactured by handlooms, powerlooms and composite mills. Which the composite mills which spin yarns weave fabrics and processes than under one roof accounted for 70 % of the cotton textile production in 1951. This has declined to only 30 % now. The share of the handlooms has remained the same over the years ( about 25 % ) but that of powerlooms has increased to 45 %. The no. of composite mills has remained more or less constant at around 280 to 290 since 1951. The no. of looms has also remained constant between 1.95 Lakh & 2.10 lakh units between 1951 & 1985. The no. of spinning mills has increased from 103 in 1951 to 674 in 1985. The increase of production of yarn has been consumed by the powerlooms sector. The handlooms increased their total production over the years, so as to maintain their production share at about 25 % of total cotton textile production in the country.

### 3.2 PRODUCTION

The production of cotton cloth has actually declined in recent years. Total production in 1951 was 3727 million mtrs., which in 1984 was 2573 million mtrs. Demand for a no. of yarns has been in favour of the higher medium variety of cotton cloth. For many years now the lower medium and higher variety constitute about 80 % of the total cotton cloth production. The production capacity for the yarn is approx. 100 % more than what is required to meet current demand. Also total weaving capacities is in excess of

requirements, if it is used to full capacity.

### 3.3 TEXTILE INDUSTRY - AN OVERVIEW

The textile industry in India consists of mills, handlooms and more recently powerlooms. The mill sector, which consists of spinning as well as composite units started in Bombay in 1954. The industry grew rapidly and at independence was India's largest industry spread across Bombay, Ahmedabad, Kanpur and Coimbatore. The first three centres has composite units, where spinning, weaving and finishing were carried out under on roof. The mills in coimbatore were predominantly spinning units supplying yarn to handlooms and more recently to powerlooms. Before going any further it is useful to give an idea of the size of the mill sector. During 1980-85 cotton mills accounted for 1.48% of India's GDP at factor cost, annually contributed Rs. 7.87 Billion (787 crores) of values added at constant 1970-71 prices, employed 1.2 million workers. Table I gives a synoptic view of growth in capacity of the mill sector from 1950 to 1986.

In the mid 1950's the Government setup two agencies. The Kanwngo and Karve committee, to suggest the further course of growth of Textile Industry. Neither was in the favour of expanding the weaving capacity in the composite mills and argued that growth in cloth production should be achieved in the handloom sector. consequently looms in the composite mills remained frozen for over two decades.

However, a similar freeze could not be imposed on spinning mills, since the growth in Handloom output depended on yarn supplied by these units. Thus, while looms remained, more or less at the 1966 level. The spindleage in spinning mill increased at rapid rate between 1971-86.

TABLE NO. 3.1

GROWTH OF SPINNING AND WEAVING CAPACITIES IN THE INDIAN COTTON MILL  
SECTOR 1951-86

YEAR	MILLS			SPINDLES (Million)			LOOMS (thousands)		
	Spinning composite total	spinning composite total	spinning composite total	spinning composite total	spinning composite total	spinning composite total	spinning composite total	spinning composite total	
1951	103	275	378	1.84	9.16	11.0	NA	NA	195
1956	121	291	412	1.86	10.19	12.05	191	12	203
1961	192	287	479	3.05	10.61	13.66	183	16	199
1966	283	292	575	4.36	11.76	16.12	179	30	209
1971	373	291	664	5.67	12.21	17.88	170	38	208
1972	379	291	670	5.85	12.26	18.11	170	38	208
1973	309	291	600	5.82	12.16	17.98	169	38	207
1974	326	289	615	5.95	12.19	18.14	166	40	206
1975	330	287	617	6.32	12.18	18.50	165	42	207
1976	330	288	618	7.04	12.32	19.36	165	42	207
1977	338	289	627	7.41	12.48	19.89	164	44	208
1978	347	290	637	7.40	12.30	19.70	162	44	206
1979	357	291	648	7.68	12.40	20.08	161	46	207
1980	370	291	661	8.16	12.52	20.68	160	48	208
1981	400	291	691	8.47	12.61	21.08	159	49	208
1982	442	281	723	9.35	12.43	21.78	158	52	210
1983	525	280	805	10.13	12.40	22.53	157	53	210
1984	575	280	875	11.35	12.47	23.82	157	53	210
1985	674	281	955	11.94	12.48	24.42	155	55	210
1986	702	282	984	12.58	12.59	25.57	NA	NA	-

\* Partly and fully automated looms

NA not available

Sources : Economic and political weekly 1990 Nov.3rd Page 2430

### 3.4 GROWTH

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The industry provides direct employment to 10.61 lakh persons nearly 17% of the total factory labour in the country. The indirect employment of course runs into several million persons.

The cotton textile policy in the country has allowed restricted growth of mill sectors. This has been in pursuance to a policy of encouraging handloom and powerloom sectors e.g. in 1951 about 4/5th of the total production of cotton textiles came from the mill sector. In 1975 it came down to 50% and is reported to be 42.5% by 1979. Apparently the rate of decentralised sector has expanded and now a major share comes from this sector.

It is estimated that total investment in the industry is of Rs. 1300 crores and the annual value of output from this industry is Rs. 3400 crores. The industry which consumes 43.4 crores kg of cotton yarn in 1950-51 now consumes about 120.2 crores kg yarn in 1978-79.

TABLE NO II 3.2

PROFITABILITY RATIOS FOR THE MILL SECTOR 1973-74 TO 1985-86 IN PERCENTAGE

YEAR	Gross Profit as percent of sales	Profit W/o depreciation & interest as percent of sales	Profit w/o depreciation with interest percent sales
1973-74	11.1 (10.05)	NA	NA
1974-75	7.7 (11.4)	NA	NA
1975-76	2.7 (9.1)	5.78	1.71
1976-77	3.2 (9.0)	5.61	1.41
1977-78	5.3 (9.0)	7.47	3.15
1978-79	7.9 (9.5)	11.13	7.44
1979-80	8.9 (10.1)	11.69	7.85
1980-81	7.8 (9.6)	10.40	6.40
1981-82	4.3 (9.3)	7.02	2.02
1982-83	5.4 (8.9)	8.52	2.31
1983-84	4.3 (7.9)	7.72	2.76
1984-85	4.1 (8.1)	7.71	2.67
1985-86	6.2 (NA)	9.74	4.24

NA : Data not available.

Note : That the last column in nothing other than cash profit as percentage of sales.

Figures in ( ) gives the all industry average.

Sources : Economic and political weekly 1990 Nov. 10th.

Not surprisingly, profit have nose-divide for the industry as a whole gross profit (after Depreciation but before interest) as a percentage of sales declined from a peak of 11.1% in 1973-74 to 4.1% in 1984-85. Picking up marginally to 6.2% in 1985-86. Throughout this period profitability of the industry has been less than the all industry average.