

CHAPTER - I

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PROFILE OF TEXTILE INDUSTRY

1.1 TEXTILE INDUSTRY IN INDIA :

Textile industry is the largest single industry in India with history of 175 years. The first cotton mill was established in Bombay in the year 1854. Later on a large number of textile mills were started in India particularly in places like Ahmedabad, Madurai, Coimbatore, Kanpur etc. besides Bombay. The Swadeshi movement launched in 1929 had its favourable effect on the textile industry. The industry made rapid progress with increased demand on account of the world war.

The year 1947 saw the country divide into two parts, the second part being Pakistan having large share in cotton production. This resulted shortage of cotton in India. This necessitated cotton import on one hand. Cotton had to be imported and the domestic cotton production was also required to be stepped up. On the other the initial Policy resolution of industrial 1948 and later on, that of 1956 specifically placed the textile industry in private sector.

In the year of 1993 there were 268 (281) composite mills and 874 (1510) spinning mills as at the end of March 1999.⁽¹⁾ India ranks third on cloth production. India is second only to Japan in terms of total quantity exports and supplies of cloth. The textile industry provided

direct employment to 11.5 lakh workers accounting for 18% of all factory labour.⁽²⁾ Thus the textile industry in India occupies a predominant role in the economy.

1.2 GROWTH OF TEXTILE INDUSTRY

The industrial Revolution in Europe and the application of power of handicrafts and cottage industries brought a complete transformation in the economic and social affairs. The cheap machine made goods in England almost completely destroyed the spinning and the handloom industry of India. In the middle of the 19th century, railways were introduced in India and along with it came the industrial revolution. The first cotton mill in India was started in 1818, but this attempt was not successful. The first successful attempt was made by the Parsee entrepreneur 'Davar' and so; the first mill in India was set up in Bombay by C.N. Davar, in 1854 with an Englishman as his partner. Since then the Textile Industry grew slowly but steadily.

During pre independence period it faced heavy odds such as lack of capital resources complete lack of technical knowledge, an unsympathetic attitude of government severe foreign competition. But inspite of these handicaps the industry grew with a modest rate.

The Table No. 1.1 indicates the growth of the cotton textile industry from 1854 to 1947.

Table No. 1.1
Growth of the Cotton Textile Industry

(Pre Independence)

Year	Mills	Spindles	Looms
1854	1	30,000	NIL
1855	2	47,000	NIL
1856	3	64,000	NIL
1858	4	1,08,000	300
1880	58	14,71,000	13000
1889	108	2667000	22000
1901	190	4933000	41000
1913	259	6597000	94000
1923	292	7732000	143000
1933	344	958000	189000
1943	398	10200000	198000
1947	423	10353973	202662

Source: Kasturi Sreenivasan, India's Textile Industry, Coimbatore The South India Textile Research Association, 1984 Page No. 233.

From Table No. 1.1 following observations can be made :

- 1) The textile industry had made a modest beginning till 1880 with 58 mills and 14.71 lakhs spindles and 13000 looms.
- 2) In the 20th century the textile industry has made its sound footing in the Indian economy as the number of mills and alongwith spindles and looms increased at a compound growth rate of

In the early stages, the industry was concentrated in Mumbai, but soon it spread to Ahmedabad and then other centers such as Kanpur, Kolkatta and Coimbatore till independence.

With the partition of Indian in 1947, the major portion of rich cotton growing area in Sindh and West Punjab went in Pakistan. As against, 409 out 423 Textile Mills remained with India.

The Post independence growth of Indian cotton mills is shown in the Table No.1.2

Table No. 1.2
Growth of Indian Cotton Mills Industry (Post Independence)

Year	No. of Mills			Inst. Spindles (in lakh)			Inst. Looms (000)		
	SPG	Comp	Total	SPG	Comp	Total	ORD	Auto	Total
1951	103	275	378	1.84	9.16	11.0	N.A.	N.A.	190
1961	192	287	479	3.05	10.61	13.66	183	16	199
1971	370	284	664	5.67	12.21	17.88	170	38	208
1981	400	291	691	8.47	12.61	21.08	159	49	208
1990	770	281	1051	14.97	11.98	26.55	124	60	184
1991	779	281	1060	15.12	11.53	26.65	117	61	178
1992	800	285	1085	15.37	11.53	26.90	117	61	178
1994	905	270	1175	N.A.	N.A.	28.48	N.A.	N.A.	N.A.
1998	1504	278	1782						
1999	1510	281	1791	-	-	-			

Source : 1) Hand Book Statistics on Cotton Textile industry published by Indian Cotton Mill Federation, Bombay.
2) Annual Report of All India Federation of Co-op. spinning Ltd., Bombay 1998 – 99.

Note : SPG = Spindles; Comp = Composite

Following conclusions can be drawn from Table No. 1.2.

- a) The number of mills went up from 378 to 664 during 1951 to 1971 having growth of 56.93%. The number of mills further went upto 1060 in 1991 and 1791 in the year 1999.
- b) The number of spinning mills increased at a higher rate is comparison with the number of mills. Since 1981 the number of composite mills came down from 291 to 270 in 1994. This is due to discriminatory textile policy as it favoured decentralized sector.
- c) The number of spindles went up from 11 lakh to 21.08 lakh during 1951 and further it reached to 28.48 lakh in the year 1994.
- d) During 1951 to 1994 the number of mills went up by 3 times while the number of spindles went up by 2 and half times. This shows growth of small mills resulting in reducing the average size of the mills. The average size of spindles was 2910 which came down to 2424 during 1951 to 1994.
- e) The number of looms went up from 190 in 1961 to 208 in 1981 but it gets reduced to 178 in 1994. The fall in number of looms shows recession and problems faced by the textile industry in India.

1.3 RECENT POLICY CHANGES

The new economic policy of 1991 adopted market friendly model for India. The textile industry being the largest second export earner it emphasised textile and garment export as a major thrust area for making the Indian textile industry globally competitive, both in the short run as well as in the long run.

Although the importance of exports cannot be undermined, the domestic market should be given its due importance in any textile-restructuring plan, especially in view of chronic over-capacity. It is argued that to ensure a vibrant garment sector which is globally competitive and which reaps the benefits of scale economies, both garment and knitting sectors need to be de-reserved from SSI manufacturing immediately.⁽¹⁾

The government has proposed to announce the new textile policy early next year to help review the textile industry. It is also finalising the cotton technology mission and following the export entitlement policy to boost exports.

At present, the textile industry is struggling to gear itself to face challenges emerging from phasing out of the multi-fiber arrangement (M.F.A.) under the WTO agreement. The industry will have to face the global competition with dismantling of the MFA by 2004.

The new textile policy, announced in October, 1999, aims to maintain continuity and stability in exports and also boost upgradation efforts by linking investments under manufactures export entitlement (under quota policy) to the scheme.

The quota policy has retained the annual level of past performance entitlement (PPE) at the same level as in the previous policy and eliminated non-quota entitlement for textiles.

The government has also given the finishing touches for launching of the cotton technology mission and Jute technology mission aimed to improving quality of raw material for the mills.

In the case of N.T.C. Mills, most of which are beset by technological absolence and excess manpower, the government has been able to hammer out a three-pronged strategy to close non-viable mills, revive viable units and voluntary retirement scheme (VRS) for workers.⁽²⁾

The government has given various concessions in the excise duties on purchase of raw material machinery imports and exports of goods to enhance the export of the country. The government has also put higher excise duty on selling of goods in local market from Export Oriented Unit. (50% customs duty on sale of finished products and waste in domestic Market).

The 100% cotton spinning have been also allowed to export cotton yarn in count groups 1-605 without any restrictions. The five additional items permitted to be imported, free of customs duties, by horticulture/floriculture EOU's are power generating sets, cooling equipment, packing equipment and temperature control or humidity control equipment, refrigeration and air-conditioning equipment for fit on transport vehicles and spare parts for the maintenance of all these goods.⁽³⁾

1.4 THE NATIONAL TEXTILE POLICY – 2000

The Ministry of textiles, government of India, has released the National Textile Policy, 2000 with vision of developing a strong and vibrant industry that will produce cloth of good quality of competitive price, contribute to sustainable employment and economic growth of the nation and also compete with confidence for an increasing share of the global market. Human resources development and technology upgradation programmes are the major highlights of the policy.

The new textile policy has to be seen at the backdrop of fast changing international scenario in the past – GATT era and its implications on Indian Textile sector. Textile and clothing have been brought within the framework of GATT in the Uruguay round of the multilateral trade negotiations. The first impact of this negotiation would be felt by the Indian textile industry after the expiry of Multi-fiber

Agreement. (M.F.A.) on December, 31, 2004. Expiry of M.F.A. would have implications on both international as well as domestic markets. The Indian textile industry has to be globally competitive to be able to sustain its presence not only in the international market but also in the domestic market.

1.5 WTO AND TEXTILE

The textile trade was part of GATT Agreement. The developed countries try to protect their textile industry at the cost of economic interest of the developing country. The multi-fiber agreement helped the developed countries to create barriers to the imports from developing country like India. The developed country try to ban the cheap imports on flimsy grounds as it was evident in the case of Ghagra, exported from India to USA.

The creation of World Trade Organisation in 1995 raised the hopes of developing countries. But again here they experienced a setback as only the textile trade and barriers on them were going to be dismantled after 10 years (i.e. 2004). This was gain done with back loaded formula wherein the initial years the restrictions were supposed to be removed in a small magnitude and the at the end of period 50% restrictions will be removed.

In the recently held Ministerial meeting of WTO held at Doha (9th November to 14th November, 2001) India raised the issue of early

end of restrictions on textile. However, this demand was not taken properly in the meeting. This explains double standards of developed countries.

Even with the end off multi fiber agreement the opportunity for textile exports are constrained with the production and technological problems. India do possess large capability in labour and raw material. It needs to be tapped effectively.

1.6 OPENING OF TEXTILE TRADE : A POTENTIAL DANGER ?

There is growing concern that India's textile exports would suffer severely when the multi-fibre agreement (M.F.A.) ends in 2004. The MFA was a legal arrangement, which came into force on 1st January, 1974, under which developed countries imposed restrictions on the volume or value of textile and clothing imports. Although, the stated purpose of the MFA was to ensure orderly development of trade in textiles, it was basically a tool devised by the developed countries to protect their domestic industry. In 1995, the WTO agreement on textiles and clothing (ATC) announced a schedule under which MFA will be phased out by January 1, 2005.

Theoretically, once this agreement is phased out and market access increases, exports from India should also go up. But it seems difficult. It would also expose India to competition from other countries, notably China, which has just become a WTO member. Under the

MFA, Indian exports were protected, as a number of countries imported a guaranteed quota of apparel from India. In fact, almost three fourth of Indian textile exports are to countries that grant quotas under the MFA.

From 2005 with quotas abolished, India would have to compete with other countries in order to protect its market share. The extent of threat to the industry can be gauged from the fact that the share of textile imports from India into non quota countries has been declining. At present, China enters the market both in quota and non quota countries (see Table No. 1.3).

Table No. 1.3

Share of total apparel imports by various countries (%)

Imports	From India	From China
Top 10 quota countries	3.2	11.3
Top 10 non quota countries	1.6	38.1

Ref. Economic Times, 18th December, 2001

The entry into the WTO, it can simply brush aside Indian textiles from major world markets. This will affect adversely the Indian textile market. This is because the Indian textiles industry has been prevented from achieving economics of scale, as a number of segments are reserved for the small scale industries. According to McKinney, typical Indian clothing plants have only about 50 machines as against 500 in China. As a result, Chinese clothing has a huge price advantage

over Indian clothing, at times as large as 40 percent. Given this difference, the Indian industry would have to transform radically to compete with China.

The most pressing need at present seems to be technological upgradation and modernization, the responsibility for which lies with the private sector. For if they are not willing to invest, they would find their export market disappearing even as imports from other countries would make going difficult on the home turf. The industry would also have to look towards value added products through improvement in quality. On its part the government would have to ensure there is no obstacle to growth and the industry is allowed to grow rapidly to achieve economies of scale.

1.7 CO-OPERATIVE SPINNING MILLS IN INDIA

Spinning of yarn means the conversion of raw cotton into yarn. Spinning of cotton is a part of cotton textile industry which is today a highly sophisticated and competitive.

Spinning Mills produce yarn from cotton yarn is of two types i.e. Weft and Warp means horizontal and vertical. Yarn is designated with a count, which is a measure of its coarseness of fineness. The higher the count finer the yarn and vice-versa.

The establishment of spinning mill in co-operative sector in India is relatively of recent origin. In 1951, a co-operative spinning mill

was established at Guntakal which was sponsored by Madras State Handloom Weavers Federal Co-operative Society. Another co-operative spinning was registered in the state of Madras in 1978, which had special objectives of providing employment mainly to Indian repatriates from Sri Lanka and Burma. At the end of Second Five Year plan 21 co-operative spinning mills have been organised in the country. During the third five year plan period, the programme for promoting co-operative spinning mills was launched. As a result 24 co-operative spinning mills of cotton growers were registered in the country by 1973.

Besides the co-operative spinning mills of weavers and cotton growers, a third category came into existence during 1961-62 in which both the growers and the weavers were classified as mixed mills. The structure of co-operative mills is :

- 1) Co-operative spinning mills organised by the cotton growers.
- 2) Co-operative spinning mill organised by the weavers.
- 3) Mixed mills i.e. organised by both the cotton growers and weavers.

At the present, there are 135 co-operative spinning mills in production in the country having a total spindle age of 29-89 lakhs out of the 118 installed mills, 55 mills are of growers and 63 of weavers.

The State wise position of the mill is given in the Table No.1.4.

Table 1.4
Co-operative spinning sector in the country

Sr. No.	State	Mills installed			Under installation			In prelim stage		
		No.	Spindles	Rotors	No	Spindles	Rotors	No	Spindles	Rotors
1	Andhra P.	9	2.27	-	2	0.50	-	7	1.75	-
2	Assam	-	-	-	3	0.75	-	-	-	-
3	Bihar	3	0.75	-	1	0.25	-	-	-	-
4	Gujarat	5	1.85	-	-	-	-	1	0.25	-
5	Hariyana	1	0.25	-	-	-	-	-	-	-
6	Karnataka	8	2.00	16.8	4	1.00	-	5	1.25	-
7	Madhya P.	2	0.50	-	-	-	-	2	0.50	-
8	Maharashtra	40	9.93	2428	8	1.75	768	114	17.00	30856
9	Kerala	4	0.90	-	1	0.25	-	1	0.25	-
10	Orissa	6	1.55	-	2	0.50	-	1	0.25	-
11	Pondichery	1	0.25	-	-	-	-	1	0.17	768
12	Punjab	6	1.31	336	1	-	1920	-	-	-
13	Rajasthan	4	0.93	2688	-	-	-	-	-	-
14	Tamilnadu	17	4.67	-	-	-	-	1	0.15	432
15	Uttar P.	11	2.48	336	-	-	-	-	-	-
16	West Bengal	1	0.20	-	2	0.50	-	-	-	-
	Total	118	29.89	5796	24	5.50	2688	133	21.57	32056

(Source : 'aifcospin' year Book : 1992)

From the Table No. 1.4 we get following conclusions.

- 1) For the mills installed under installation, Maharashtra is sharing largest numbers of mill.
- 2) Other States which are prominent in co-operative spinning sector are Tamil Nadu, Uttar Pradesh, Karnataka and Andhra Pradesh.
- 3) At present there are 118 mills installed while where 24 are under installation and 133 are under preliminary stage.

1.8 TEXTILE INDUSTRY IN MAHARASHTRA

Maharashtra in houses a large number of powerlooms and handlooms. Powerlooms have concentrated in sizable numbers around Bombay, Bhiwandi, Thane, Malegaon, Ichalkaranji, Solapur, Dhule and Sangli in Maharashtra. Handlooms and powerlooms get their raw material i.e. cotton yarn from cotton mills and spinning mills. In order to protect the interest of handloom and powerlooms, the government of Maharashtra, have adopted a number of measures relating to financial assistance, differential rates of excise duties, reservation of certain cloth varieties etc. for handloom and powerloom weavers in decentralised sector. A notable feature in the history of co-operative spinning mills is the year of 1960s in which first co-operative spinning

mill was established in Maharashtra i.e. the Deccan co-operative spinning mills Ltd. at Ichalkaranji in Kolhapur District.

In 1959 a typical attempt to run a mill on co-operative basis was made at Bhor. Shri Laxmi Textile mill was established in 1943 at Bhor as a private company by state government (Raja of Bhor). In 1953 Laxmi Mill closed down. In 1959, the workers of closed unit formed a co-operative society i.e. Shri Shivaji Textile Workers Co-operative Spinning Mills Ltd. with the assistance of state Government. The concept of co-operative spinning Mills Ltd. was rooted in Maharashtra in 1959-60 in the form of two significant attempts denoted the desire to step into a new field of individual activity with a view to secure economic benefits for their members. It was followed by the proposals for the establishment of co-operative spinning mills were received from weavers of Nagpur and Solapur on the lines of Deccan and the units were installed and went into production in 1968 (Nagpur) and 1967 (Solapur).

In third five year plan period government of India decided to give preference to co-operatives. In 1964 Yeotmal District Cotton Growers Co-operative Spinning Mill Ltd. was established out of these 14 co-operative spinning mills licensed in grower sector Kolhapur, Amaravati, Shrirampur, Latur, Bhusawal, Nanded, Units were installed in 1969 while other units installed in 1969, while other units installed latter. Industrial Finance Corporation, Maharashtra Co-operative Bank

Ltd. came forward to assist to needy units for installation while All India Federation of Co-operative Spinning Mills Ltd. Bombay provides technical aid for the installation of co-operative spinning mills.

The present condition of the textile industry in Maharashtra is framed with the following information, number of spinning mills 44 installed 78 composite mills, total spindle age of the state 49,77,000 and rotors 5012.

At present, the textile industry in Maharashtra comes under co-operative sector as 40 co-operative spinning mills, 613 power looms co-operatives, 685 handloom co-operative, 3 co-operative processing houses. Maharashtra State plays important role in respect of co-operative spinning mills in our country. As at the end of March 1998, present 226 co-operative spinning mills are installed in Maharashtra.

Region wise spinning mills are shown in the Table No. 1.5

Table 1.5
Co-operative spinning mill in Maharashtra

Sr. No.	District	No. of Co-op. Spinning mills	Percentage
1	Mumbai	Nil	Nil
2	Thane	01	0.44
3	Raigad	Nil	Nil
4	Sindhudurg	02	0.88
5	Ratnagiri	01	0.44
6	Nasik	03	1.32
7	Dhule	11	4.86
8	Jalgaon	09	3.98
9	Ahmednagar	03	1.32
10	Pune	04	1.76
11	Satara	09	3.98
12	Sangli	24	10.61
13	Solapur	27	11.94
14	Kolhapur	45	19.91
15	Aurangabad	03	1.32
16	Jalna	04	1.76
17	Parbhani	08	3.53
18	Beed	07	3.09
19	Nanded	04	1.76
20	Osmanabad	05	2.21
21	Latur	06	2.65
22	Amaravati	05	2.21
23	Buldhana	09	3.98
24	Akola	10	4.42
25	Yavatmal	09	3.98
26	Nagpur	08	3.53
27	Wardha	06	2.65
28	Bhandara	01	0.44
29	Chandrapur	02	0.88
30	Gadchiroli	Nil	Nil
		226	100

Source : Co-operative At a Glance 1999 35th publication (p.p.62 to 67)

Following conclusions can be drawn from Table No. 1.5.

- a) The Kolhapur district has 20% of the spinning mills followed by Solapur district with 12% spinning mills. Sangli district has 11% of the spinning mills.
- b) Of the total 226 mills the three districts (Sangli, Solapur and Kolhapur) occupies 43% of the spinning mills.
- c) The concentration of spinning mill in these districts is the result of co-operative efforts made by the leaders in this region as this region produces very small quantity of cotton.

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Dissertations :

- 1) The study of Labour Welfare Activities in Shetkari Sahakari Soot Gimi Ltd. Sangole by Patil A. U.
- 2) Management of Co-operative spinning Mills : A case study of Kolhapur Zilla Shetkari Vinkari Sahakari Soot Gimi Ltd., Yadrav, Ichalkaranji by S. S. Mahajan.

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