

CHAPTER - V

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CONCLUSIONS AND SUGGESTIONS  
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5.1 UNHEALTHY GROWTH :

From our present study what strikes to our mind is that there has been tremendous growth of powerlooms during the past few years the increase in the number of powerlooms of Ichalkaranji are according to the numbers reported by the office of "The Ichalkaranji Powerloom Weavers' Cooperative Association Ltd., Ichalkaranji." The number of looms for instance in the year 1986-1987 has been reported being at 60,000. If we presume that these are the registered powerlooms, there are other unregistered powerlooms whose number might be substantial. There has been an unprecedent yet illegal growth of this sector especially during the later 1970s and the early 1980s. As a result there have been unauthorised power connections resulting in heavy revenue losses to the Government. In addition the sector enjoyed tax concessions in the name of self employment generating sector. Some experts attribute the present plight of this sector to the unhealthy quantitative growth of the sector in the recent years. Even some go to the extent of saying that the expansion in the productive capacity of the powerloom sector which is the real cause of the problems facing the textile industry as a whole. The powerloom sector at Ichalkaranji as we pointed out repeatedly has expanded

very rapidly in terms of its productive capacity ( loomage) and because of the excess productive capacity the powerloom sector at Ichalkaranji has been suffering from the lack of effective demand for cloth. This statement may not be accepted on the theoretical plane. With the rising population growth of incomes of the people resulting from the developmental activities and if one assumes income elasticity of demand for cloth and also expenditure elasticity of cloth to be positive, the productive capacity growth in this sub sector can not be considered to be excessive giving rise to a large number of problems. The problems confronting this sub-sector are of structural type and not of the basic imbalance between aggregate demand and aggregate supply.

#### 5.2 OTHER REASONS :

Apart from the unhealthy growth there are other reasons responsible for the plight of the powerloom sector at Ichalkaranji are : Increase in the cotton prices and as a result of yarn prices, rising excise duties, huge smuggling of polyster and the Govt. decision to export cotton and yarn. These problems are, though applicable to the entire powerloom sub-sector of the textile industry they are applicable with a varying degree to the powerloom sector of Ichalkaranji. Further the consumer's tastes have been rapidly changing, the consumer's tastes have been changing in

favour of artificial cloth especially polyster viscose which combines best of both the fibres. Because of the changing the consumer's tastes in favour of polyster viscose the internal demand for cotton cloth has been diverted towards these new varieties of oil based product. Hence we find increasing smuggling of such types of cloths through the neighbouring states like Nepal, Bhutan and others on an increasing scale. This type of diversion of demand from cotton cloth has been one of the contributory factors in the demand recession for cotton cloth.

### 5.3 SKewed INCOME DISTRIBUTION :

The real cause of demand recession lies in the equitable distribution of national income. Still the demand for powerloom cloth stems from the rural sector of the economy. In the rural sector of the economy the income distribution has been becoming more and more inequitable. The population with the low levels of income do not have a positive expenditure elasticity of demand for cloth i.e. with the deterioration of national income distribution the expenditure elasticity of demand for cloth of this section of the population has turned out into negative one. The smaller section of the rural population which receives relatively large share in the aggregate rural income do have their positive elasticity of demand for cloth but their demand not for cotton cloth but blended cloth i.e. polyster. Hence the powerloom sector

is found to have been confronting with the demand recessions occurring at irregular, time intervals. The rise and fall in the demand for powerloom cloth have been associated with the agricultural seasons, post harvest and the pre harvest seasons. During the pre harvest season the demand for powerloom cloth is supposedly low and in the post harvest season the demand for powerloom cloth is quite high. During the post harvest season the demand increases on account of marriage ceremonies, village faires, festivals which are found to be heavily concentrated during the same period. The rural folk spend at least very limited portion of their income on buying cloth. So one may find the high level of demand for powerloom cloth during this period. Apart from this the whole fortune of the powerloom industry is firmly linked with that of the agricultural sector. Apart from the seasonal variations in the demand for cloth of the agricultural sector, when the agricultural incomes tend to be depressed during the unfavourable climatic conditions ( including mansoon) and when the periods of scarcity conditions caused by the droughts tend to be prolonged for a longer period of time i.e. 3 to 4 years consecutively the demand for cloth tends to be at the lowest ebb unless the Govt. injects money through undertaking public work programmes in the rural sector. Since the very recent past there has been a contineous improvement in the quality of the powerloom product the demand for improved quality of the powerloom products ( fancy sarees) printed

sarees, mercerised dhoties, poplin, cambric) comes also from the middle income groups of people residing in urban centers. The middle income group people have positive income elasticity of demand for cloth but since they constitute a very small proportion of the total population the demand recession of the powerloom sector can not be over come by the just marginal increases in their demand for cloth. When the middle income group people climb up the income bracket ladder their demand shifts from powerloom cloth to super fine polyster blends. As a result the demand instead of increasing has been decreasing in the past. Therefore because of the growing inequality in the income distribution the powerloom sector has been suffering from demand recession causing the small powerloom owners to close the production, and throwing a number of powerloom workers out of employment. This also wholes true in respect of self employed small powerloom owners. So to solve the problem of internal deficiency of the demand on a wider plane the measures will have to be adopted to lift the lowest categories of income group people up the ladder of the income scale. The other solution is obviously exports of powerloom cloth in other countries. In the foreign countries the consumption of the cotton cloth has been increasing while the that of polyster cloth has been decreasing. To take the advantage of a favourable change in the consumer's tastes abroad the powerloom sector will have to construct a network of markets in the foreign countries. But in view of the tough

competition in the foreign market the powerloom sector will have to raise its competitiveness in terms of reduced prices in the foreign market. This makes the powerloom sector to adopt a number of measures with a view to improving the quality of its product and reducing the cost per unit of output. To some extent the problem of demand recession will be solved.

#### 5.4 IMPERFECT MARKET STRUCTURE :

The decentralised powerloom sector largely consists of the small powerloom owners whose number of looms varies from 1 to 4. For the marketing of their product they are dependent upon the third person or a middlemen. The final output is not sold directly by the producers but through a middlemen having an easy access to financial resources. The middlemen buy cloth from the actual producer at lower prices and sale them to the final consumers at high profit margins. The high profit margins earned by the middlemen are not shared by the actual producers. In fact they are at the mercy of the middlemen. In an inflationary situation the mark up prices of final consumption goods charged by the oligopolistic middlemen have been responsible for the operation of the powerlooms by the powerloom owners in disguise at no profit basis and even in some cases just on the basis of contractual wage earnings. This is why no attempt towards the modernisation of the sector seems to have been made even though the sector has a

long history of its development at Ichalkaranji. To get rid of this peculiar market situation prevailing at Ichalkaranji, an alternative marketing organisation will have to be established with marketing sub centers at different places. This type of suggestion had been made as long back as 1962 in the memorandum submitted at the time of inauguration of The Deccan Cooperative Spinning Mills Ltd., Ichalkaranji. Even after the lapse of 2 1/2 decades the alternative solution on cooperative lines did not take the concrete shape despite the hue and cry raised by the local political leaders and also the eminent enterpriseres in this line of production at Ichalkaranji. Among the various causes, in our opinion the few middlemen who have captured the market of Ichalkaranji ( from their point of view the cloth market at Ichalkaranji could be treated as a captive market), and the keen competition among the powerloom owners themselves disguised powerloom owners ( Kharchiwalas) V/S the big powerloom owners (non dependent weavers class popularly known as Satwalas) have been the main causes for not coming into existence the viable marketing organisation based on cooperative lines. By an large all the ills of the powerloom sector at Ichalkaranji assumed larger proportions because of the lack of adequate working capital and effective market organisation towards which no attention has been paid at the Government level so far.

#### 5.5 THE PROBLEM OF RAW MATERIAL :

The frequent interruptions in the smooth running of the powerloom sector at Ichalkaranji have been caused by the shortages



of yarn either man made or natural (structural), Despite the establishment of spinning mills based on cooperative lines at Ichalkaranji (four in number at present) their production of yarn did not keep pace with the growing demand for yarn as a consequent upon the increasing number of powerlooms installed at Ichalkaranji and round about some of the villages like Peth vedgaon, Rendal and others. In other words the raw material supply bottlenecks and the excessive speculation indulged in by the yarn dealers led to the closure of certain powerlooms and retrenchment<sup>n</sup> of workers giving rise to agitations by the workers and delegations to powerloom owners to the state Govt. and the central Govt. have become the regular features of the powerloom sector and even the local news papers and for some times of the state level news papers. To solve this problem not wholly but partially another four spinning mills have been proposed to be started at Ichalkaranji on cotton producers cooperative lines. But the proposals seems to have been kept pending, Even though these proposed spinning mills come in to reality the problem of supply of raw material-cotton will be there unless certain proportion of the land is being diverted in to the cultivation of long staple better quality cotton. Again unless the perennially irrigated land now under sugarcane cultivation at least partly diverted to the cultivation of cotton if the agro climatic conditions of this region suits well to the

cotton crop cultivation. In such case transport cost of raw cotton could be saved considerably the benefit of it will be passed on to the final consumers in the form of reduced prices which is one of the main objectives of the textile policy in general.

#### 5.6 UNCHANGED THE MACHANICAL PROCESS :

The decentralised powerloom sector comes under the mechanised sector of the cotton textile industry. At Ichalkaranji we find the powerloom owners following the age old mechanical processes of production involving high cost structure. So far the Central Government seems to have paid its attention to the improvement of mechanical processes in the organised mill sector and in the unorganised decentralised handloom sector. Even the research and development activities have directed their attention to the problems of technological upgradation of these two sectors totally neglecting the decentralised powerloom sector. At Ichalkaranji too until recently no research and development activities have been undertaken so far by the powerloom owners. During the periods of prosperity the powerloom owners at Ichalkaranji frittered away their profits in conspicuous consumption and investment in real assets such as land, gold whose values in money terms were expected to appreciate. Therefore, this aspect of the powerloom sector at Ichalkaranji remains unheeded to. Very recently research and development institute in the form of a degree college imparting education to younger generation about

the textile engineering, production processes and other technical aspects relating to the powerloom sector in general and powerloom sector at Ichalkaranji in particular. This college is supposed to undertake the research and development activities so as to raise the productivity leading to the improvement of the viability of the sector. This institute after thorough study of the problems is expected to make suggestions regarding the improvement in mechanical processes of production. In other words the textile machinery used at present will have to be replaced by new modern ones. For this a provision with regard to long term funds will have to be made so as to enable the existing powerloom owners to modernise their textile plants and machinery.

#### 5.7 PAUCITY OF DATA :

While carrying out our research study we handicapped by the non availability of authentic information as to number of powerlooms registered, unregistered also, the supply of yarn, varieties of cloth produced by the powerloom sector, daily consumption of yarn by the looms installed at Ichalkaranji and mainly the actual production of cloth at Ichalkaranji. To overcome this difficulty we relied upon the information supplied by the Ichalkaranji powerloom weavers' cooperative Association Ltd. Ichalkaranji, though scanty and defective in many respects. We therefore, calculated the consumption of yarn, and production of cloth on the basis of number of powerlooms installed, their

production capacity rate and the requirement of yarn by every loom per day in the tables related the production of cloth and consumption of yarn are the estimated figures. They may not correspond to actual production and the actual consumption of yarn and therefore, there could have been variations between the actual output figures and the figures estimated by us. However, there may not be such variations to such an extent that our conclusions arrived at may disprove. At the end of this research we suggest the establishment of an institution which may collect systematically the quantitative as well as the qualitative information of all aspects of this sub sector of textile industry at Ichalkaranji. This need has been pointed out at the macro level by the various study groups also.