

CHAPTER-2

TEXTILE INDUSTRY-A REVIEW

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CHAPTER - 2TEXTILE INDUSTRY-A REVIEW2.1 INTRODUCTION :

/Cloth is one of the three basic needs of human beings. Accordingly cloth producing activity has attained a wider significance in the human life. Before the Industrial Revolution, the main centres of cotton manufacture were at cotton growing countries like India, China, Turkey, the Near East and Brazil. That time hand spun and hand woven textiles were exported from India to Europe by the Dutch and the British East India Company. /After the Industrial Revolution of the 19th century in the western countries the industry has become quite complicated. The Textile Industry has further classified into a) Cotton and b) non-cotton or blended cloth. Non-cotton (blended, man made or artificial) cloth is also called as synthetic cloth. Rayon, Nylon, Polyester, Silk, Acrylic, Cellulosic etc. are some of the types of synthetic cloth./

/Compared to cotton cloth, synthetic cloth is durable as well as fine looking. But cotton cloth gives comfort & quality to the buyer. The cotton cloth has the quality of absorbing. It has wider scope during hot seasons in all the countries as well as all the time in hot countries. Majority buyers prefer cotton cloth to synthetic cloth. In textile market there is always competition between cotton cloth and synthetic cloth. Notwithstanding the constant threat from synthetics, the cotton cloth still

provides for about half the textile market/

2.2 REVIEW OF INDIAN TEXTILE INDUSTRY :

Modern Indian Textile Industry has its origin in the year 1817 when the first mill was set up. But its real growth has seen after independence. Today it contributes to 20% of the country's industrial sector.

The industry has created a special status for Indian Textile products in the international market possessing aesthetic qualities and durability.

The textile industry in India is complex and has varied structure. At the one end there is traditional hand-spun, hand-woven sector located in rural areas while on the other there is largely urban - based, high-speed machine sector. There is also a sprawling, fast growing intermediate segment consisting of decentralised small scale powerloom units dispersed mostly in rural and semi-urban areas all over the country. Besides these, the garment industry has made phenomenal growth and has blazed a new trail in exports. Hosiery industry which was earlier confined to a few urban or semi-urban centres is also making rapid progress and spreading its wings in almost all the states.

The Indian Textile Industry is divided into two major divisions- a) Organised Composite Mill Sector & b) Decentralised Weaving Sector. In case of organised

composite mill sector, there has been a sizable decline while the spinning industry in India has been making a steady and impressive progress during the few decades.

This progress was supported by rapid strides made in the cotton production and rising demand for yarn & textiles both from domestic and overseas market. India has been able to make impressive headway in recent years in the export of textile goods, especially garments, which has stimulated demand for yarn, the export of this item has gone up substantially.

The Textile Industry in India is developing rapidly.

There has been a continuous rise in production of yarn, production of cloth & the export of cotton textiles. India is considered as a country of assured supply in the world textile market. The following table explains the growth of production of yarn in India.

Table No. 2.1

Production of Yarn (In million Kgs.)

Year	Cotton Yarn	Blended and 100% non-cotton yarn	Total
1985-86	1252.8	200.7	1435.7
1986-87	1302.0	224.3	1526.3
1987-88	1321.5	233.4	1554.9
1988-89	1302.1	260.8	1562.9
1989-90	1367.5	271.5	1639.0
1990-91	1467.5	327.3	1794.8
1991-92	1439.6	340.8	1780.4

Source :- Spinners Year Book, 1993

Production of cloth has also an increasing trend as described in following table -

Table No. 2-2
Production of Cloth (In million Square Meters)

Year	Composite Mills	Powerlooms	Handlooms	Total
1985-86	3,544	9,534	4,135	17,213
1986-87	3,483	10,149	4,305	17,937
1987-88	3,178	10,439	4,370	17,987
1988-89	2,948	10,913	4,323	18,184
1989-90	2,781	11,404	4,537	18,722
1990-91	2,720	12,746	4,888	20,354
1991-92	2,488	12,742	4,805	20,035

Source :- Spinners year Book 1993

The table No. 2-1 makes it clear that there has been a steady increase in the production of cotton yarn.

Compared to increase in cotton yarn, the increase in blended and 100% non cotton yarn is notable. At the same time the total yarn production has increased from 1435.7 million kgs. to 1780.4 million kgs.

The table 2.2 shows that the production of cloth in composite mills has declined considerably. At the same time the production in the decentralised powerloom & handloom sector is increasing slightly. The total cloth

production has increased from 17,212 million Sq.meters to 20,035 million Sq.meters.

After considering the production of yarn and production of cloth, let us look at the exports of India in the textile market.

Table No. 2.3

Exports of textile Industry (Rs.in crores)

Particulars	1989-90 Rs.	1990-91 Rs.	1991-92 Rs.
A) <u>Cotton Items</u>			
1) Cloth and other made ups in			
a) Composite Mills	623.43	872.03	1027.89
b) Powerloom Industry	411.99	528.88	968.58
c) Handloom Industry	341.87	407.23	689.19
2) Hosiery cloth	81.62	133.84	157.22
3) Yarn	361.59	511.43	983.48
4) Sewing thread	2.68	4.92	6.64
	1823.18	2458.33	3833.00
B) Readymade Garments	1650.06	2089.19	2983.18
C) Knitted Garments	639.82	928.32	1359.03
	4108.06	5475.84	8175.21
D) Rayon/Synthetic items	600.87	636.09	1126.94
E) Woolen cloth & others	561.80	711.23	880.25
F) Non-cotton garments	1187.29	1622.13	1984.79
G) Silk Garments & others	400.61	440.54	675.57
TOTAL	6858.63	8885.83	12842.76

Source :- 31st Annual Report of the Deccan Co.op. Spinning Mills Ltd.

Looking at the yarn exports, we see that in the year 1989-90 it was Rs. 361.59 crores, in 1990-91 it was Rs. 511.43 crores while in 1991-92 there has been a considerable increase leading exports to Rs. 983.48 crores. As a result of declaration of new liberal policy towards exports, the yarn exports have gone up considerably. The yarn exports were 16.5 million kgs. in 1986 while in 1991 they were 120 million kgs.

It is evident from the above statistics that in 1991-92 the textile exports have gone up by 44.5% compared to 1991.92. The share of textile industry in total exports is 30% in 1991-92. In 1990-91, the share of powerloom industry in textile industry's exports amounted to Rs. 528.88 crores which has gone up to Rs. 528.58 crores in 1991-92. From this it is clear that the decentralised powerloom industry has a wider scope in the exports of textile industry also.

2.3 GROWTH OF ORGANISED SPINNING & WEAVING SECTOR :

In the past, the availability of required quality of cotton in required quantities was a hindrance in production of cotton yarn. Currently, especially during 1980's, there has been an improvement. Cotton production has been increased leading to increase in production of yarn

as well as increase in exports of yarn, garments & other textile goods. The changed cotton situation along with the steadily rising demand has given a fillip to the rapid expansion of the installed capacity leading to higher production of yarn and cloth. The growth in the installed capacity of the organised spinning & weaving sector during the last decade can be gauged from the data given in the following table.

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TABLE No.2-4

TABLE SHOWING THE GROWTH OF INSTALLED CAPACITY OF ORGANISED SPINNING AND WEAVING SECTOR DURING 1981-1992

Year	Number of Mills		Installed Spindles			Installed Looms			
	Spinning	Composite	Total	Spinning	Composite	Total	Ordinary	Automatic	Total
1981	400	291	691	8.47	12.61	21.08	159	49	208
1982	442	291	723	9.35	12.43	21.78	158	52	210
1983	525	280	805	10.13	12.40	22.53	157	53	210
1984	595	280	875	11.35	12.47	23.82	157	53	210
1985	674	281	955	11.94	12.42	24.42	155	55	210
1986	702	282	984	12.98	12.59	25.57	155	55	210
1987	241	283	1024	13.69	12.33	26.02	153	55	208
1988	752	283	1035	14.40	11.90	26.30	140	58	198
1989	765	282	1048	14.83	11.63	26.46	124	60	184
1990	764	281	1045	15.05	11.53	26.59	117	61	178
1991	777	285	1062	15.07	11.60	26.67	117	61	178
1992	862	271	1133	16.43	11.49	27.92	106	63	169

Source : Spinner's year Book 1992 Page --

Note : Figures of installed spindles and looms are in lakhs and thousands respectively.

As may be seen, the number of spinning mills has nearly doubled during 80's. Correspondingly the number of installed spindleage has also doubled in the spinning sector. At the same time the number of composite mills as well as their installed spindleage have shown a decline in the same period in loomage also, there has been a fall, but the number of automatic looms has been slightly increased.

The noteworthy development in the recent years in the spinning sector has been the growth of 100% Export Oriented Units (E.O.U.). The international trade in cotton yarn is expanding. The government is providing the special facilities and incentives for encouraging exports specially by EOU's. This has enabled the industry to import foreign technology & there has been a considerable scope for exploiting the potential international cotton yarn trade. There is no ceiling on such EOU's. All foreign exchange earned by these EOU's is freely convertible into rupees at market rates.

At present there are 16 EOU's exporting 100% of their production; of which 3 are in co-operative sector. Their present annual exports are around 20 million kgs. Several more EOU's are under installation and it is expected that by mid 1993, the number of EOU's may double.

2.4 CO-OPERATIVE SPINNING ACTIVITY :

The co-operatives have been making impressive progress in the spinning sector. The first co-operative spinning mill was set up in Guntkal in 1954. The subsequent progress in the next ten years was somewhat halting because of lack of sufficient technical expertise, guidance and financial resources. However, from mid 60's the situation improved radically due to three main reasons.

1. Government took the policy decision to encourage the co-operatives in the sphere of large industries.
2. The National Co-operative Development Corporation (NCDC) as well as financial institutions decided to extend monetary and managerial support to spinning co-operatives.
3. The establishment of All India Federation of Co-op. Spinning Mills Ltd. (AIFCOSPIN) to provide technical and managerial guidance & assistance for the growth & development of co-operative spinning industry in the country.

Consequent to these developments, the co-operative spinning sector has made remarkable growth and presently accounts for 11% of the total spindleage in the country. The progress made by the sector since 1954 is as under :-

Table No. 2.5

Table showing the Growth of Co.op Spinning Sector
Since 1954

Year	No.of Co.op.Spinning Mills.	Total Spindleage (In lakhs)
1954	1	0.25
1962	33	4.36
1972	53	7.82
1982	63	15.54
1992	118	29.89

Source :- AIFCOSPIN Annual year Book 1992 Page No. —

The unique feature of the co-operative sector is that all the spinning mills of the sector are located in rural areas either in the heart of cotton growing tracts or in pockets where weavers are concentrated. In several areas these mills have proved leaders of rural industrial growth. Out of the 113 mills now existing, 55 are organised by cotton growers and the remaining 58 by the handloom & powerloom owners (weavers). Seven of the growers mills are set up with financial assistance from the World Bank. A few more such World Bank aided mills are under installation apart from about 26 other mills coming up with the internal resources in the co-operative sector.

EMPLOYMENT :

One of the factors that make the textile industry so vital to the country's economy is the employment potential it has generated. The sectorwise details of the employment during the last three years are given below :-

Table No. 2.6
Table showing the sectorwise employment
during 1988-89 to 1990-91

Sector	Employment (In lakhs)		
	1988-89	1989-90	1990-91
Mill Sector	11.04	11.60	11.00
Handlooms	84.25	88.64	96.87
Powerloom	51.07	55.20	57.08
Total	146.36	155.44	164.87

Source :- 'Spinners' year Book 1993 Page No. —

It is seen from the above data that there is stagnation in the employment of mill sector, while that in the decentralised weaving sector has been increasing steadily.

In addition, the garment industry and its ancilliary industries provide employment to as many as 5.00 million people.

CAPACITY UTILISATION :Spindle Activity :-

The data on the utilisation of capacity in case of installed spindles during last four years are given below :-

Table No. 2.7

Table showing the utilisation of installed capacity
from 1988-89 to 1991-92.

Year	Daily average no. of spindles worked in three shifts	Percentage utilisation in 3 shifts
1988-89	18.45	70
1989-90	19.36	73
1990-91	20.77	78
1991-92	20.50	76

Source :- Spinners Year Book 1993 Page No.---

From the above it will be clear that upto 1990-91 there has been a steady rise in spindle capacity utilisation from 70% to 78%. However during 1991-92, there was decline. Even on the basis of working mills the spindle capacity utilisation was lower in 1991-92 compared to 1990-91. This is clear from the table given below :-

Table No. 2.8

Table showing the Spindle Capacity utilisation
by working mills.

Year	Average spindle utilisation by working mills (Three shifts)
1988-89	80.81
1989-90	84.17
1990-91	88.61
1991-92	86.79

Source :- 'Spinners' year Book 1993 page No.---

The decrease in capacity utilisation in 1991-92 was mainly due to strident rise in cotton prices. In the earlier years the supply position of cotton was quite comfortable & hence the prices were moderate.

Loom Activity :

The position regarding loom activity in the organised sector on the basis of total installed capacity during the last three years has been as under. -

Table No. 2.9

Table showing the utilisation of installed looms in the
organised sector

Year	Installed Loomage	Daily Average number of looms worked (3 shifts)	Percentage utilisation
1989-90	184	114	63
1990-91	178	109	61
1991-92	178	98	55

Source :- 'Spinners' year Book 1993 page No.

From the above table it is clear that installed loomage in the organised mill sector is decreasing. At the same time the percentage utilisation is also decreasing.

Mills Membership :-

In all 275 co-operative spinning mills are registered upto 31st March 1992 out of which 118 mills were in production.

The aggregate membership of these 118 mills was 4.49 lakhs of which cotton growers were 3.16 lakhs, weavers were 0.29 lakhs and 1.04 lakhs were the co-operatives of cotton growers, weavers & others.

24 mills which are in advance stage of installation had in all 0.76 lakhs members of which 0.54 lakh were cotton growers, 0.15 lakh individual weavers and 0.07 lakh others.

2.5 **SOURCES OF FINANCE TO SPINNING CO-OPERATIVES :**

a) Share Capital & Reserves :-

out of the 118 mills in production, 97 mills have reported their financial position as on 31st March, 1992.

The total paid up share capital of these 97 mills amounted to Rs. 363.67 crores of which the members contribution was Rs. 45.71 crores and of the State Govt's. Rs. 317.96 crores. Their reserves stood at Rs. 5.92 crores of which Rs. 464.16 was Depreciation Fund, Rs. 52.76 crores Development Rebate & Rs. 75.08 crores for other reserves.

On 31st March, 1992, the total investment of the 97 reporting mills was Rs. 798.78 crores. As against this, term loans outstanding were to the tune of Rs. 309.98 crores.

As regards 24 reporting new mills which are in advance stage of installation, their share capital amounted to Rs. 145.57 crores of which the State Govt.'s share was Rs. 135.68 crores and Rs. 989 crores were contributed by the members.

b) Term Loan :

The principal financial institutions i.e. IFCI, IDBI and ICICI have cumulatively sanctioned the term loans of Rs. 413.47 crores to the co-operative spinning mills as on 31st March, 1992. Of this an amount of Rs. 324.25 crores were disbursed. Institution-wise distribution of this regarding sanctions, disbursements & outstandings as on 31st March, 1992 is given as below :-

Table No.2.10

Table showing the Institution-wise details of Loan (Rs.in crores)

Sr.No.	Institution	Sanctioned	Disbursed	Outstanding
1	IFCI	103.15	85.64	70.83
2	IDBI	218.27	161.16	121.42
3	ICICI	92.05	77.45	55.68
	Total	413.47	324.25	247.93

Source : AIFCOSPIN Annual year Book 1992 Page No. —

In pursuance of the Textile Policy announced by the Govt. of India in June 1985, the Industrial Development Bank of India (IDBI) Constituted a Textile Modernisation Fund and introduced Textile Modernisation Fund Scheme (TMFS) for modernisation of the textile industry with effect from 1st Aug. 1986. So far, 23 spinning mills have been sanctioned assistance under the scheme to the extent of Rs. 61.23 crores of which Rs. 34.88 crores were disbursed as on 30th June 1992.

C) NCDC'S Assistance :-

Upto 31st March 1992, the NCDC cumulatively sanctioned an amount of Rs. 219.39 crores through the State Governments to the Co-op. spinning mills. This amount was sanctioned to the State Governments for enabling them to participate in the share capital of the new co-operative spinning mills; as well as for expansion & modernisation of the existing units. In addition to this, the NCDC has sanctioned Rs. 11.06 crores to the needy co-operative spinning mills to meet their margin money requirements. Thus as on 31st March 1992 the NCDC has cumulatively sanctioned Rs. 230.45 crores to the spinning co-operatives of this Rs. 209.65 crores were released. The details in this regard are as under :-

Table No. 2.11

Table showing the details of Assistance provided
by NCDC to Spinning Co.operatives.
As on 31.3.1992 (Rs. in crores)

Sr. No.	Purpose	Sanctions	Releases
1	New units	130.48	120.50
2	World Bank Projects	76.23	67.01
3	Expansion	11.92	11.88
4	Modernisation	0.76	0.51
5	Margin Money	11.06	9.75
	Total	230.45	209.65

Source :- AIFCOSPIN Annual year' Book 1992 Page No. —

In addition to the above, the NCDC has sanctioned loans of Rs. 150.46 crores to the World Bank. Projects being installed in different states through the Apex Co-operative Banks Rs. 139.21 crores were disbursed as on 31st March 1992. All efforts need to be concentrated by them in this area in the coming year.

2.6 AIFCOSPIN'S Service package :

'AIFCOSPIN' can be rightly called as the 'Godfather' of spinning co-operatives in India. It was established in 1964 with a view to provide service to the existing

& proposed spinning co-operatives in the country, to attain their growth and prosperity. Over the years it has diversified its services. Such services have been elevated their quality and content in keeping with the advance made in the sphere of management and technology, all over world and the complexities and challenges that face the sector. In providing these services, AIFCOSPIN has made it clear that the compensation from the members is only minimum so as to enable it to defray the expenditure and not to make any profit. At present the range of services provided is so wide that it covers the entire spectrum from the turnkey installation of integrated spinning and ginning units to cotton development. Details of various services provided are as under -

A) GENERAL SERVICES :

1. Guidance in the formation of new co-operative societies & their bye-laws and for crystalization of concepts of new projects for installation of spinning mills.
2. Preparation of detailed bankable techno-economic feasibility reports for installation of new mills & for expansion or modernisation of existing ones.
3. Providing assistance in the appraisal and resource mobilisation/expansion of existing units.
4. Advice & assistance in the selection of land, machinery, accessories, architects & civil contractors for establishment of new spinning mills.

5. Implementation of new spinning and ginning projects on turn key basis.
6. General and project consultancy services on project preparation and implementation of world Bank Aided projects.
7. Assistance in the scientific selection of senior & medium level technical, financial & non-technical personnel for manning the mills at various levels.
8. Monitoring the operational and financial performance of the mills & providing guidance & assistance in solving the technical problems for upgrading the operational efficiency and improving the profitability of the mill.
9. Inter-firm comparison and analytical study of the operational and financial performance of the mills.
10. Setting up training centres in the individual mills for improving the operational and managerial skills of the floor level and supervisory staff ultimately aiming at improving the productivity in spinning.
11. Conducting management development programmes for the senior and middle level managers as well as technicians, & organising seminars conferences, seminars etc.
12. Testing of cotton and yarn samples and assisting in the scientific selection of the cotton.

13. Conducting different types of surveys like yarn market, cotton production etc.
14. Providing information on various aspects concerning the textile industry by circulars.
15. Guiding, co-ordinating & monitoring the implementation of cotton development programmes to improve production, productivity and quality of cotton grown in their area of operation.
16. Publication of books/literature on various topics of interest to the mills.
17. Publication of fortnightly journal to keep the members & others connected with cotton & textile industry appraised on the latest developments in the textile industry in India & abroad.
18. Publication of annual providing the data on the operational and financial performance of the individual mills.
19. Promotion of yarn exports by guiding mills regarding market requirements, prices, quality, specifications, packing procedures & standards, credit facilities, incentives, documentation, past & future trends in international trade etc.

B) SPECIALIZED SERVICES :

In addition to the above regular services AIFCOSPIN has also introduced a new specialised service scheme

since past few years. These have become imperative in the context of new policies introduced by the Govt. for liberalising the Indian Economy and integrating it with the global economy. With these new policies, competition has become more severe both from within the country and from abroad. Quality is also coming more & more fore to overseas markets, domestic demand is also for better quality products. Cost efficient production is also coming into sharper focus with every component, starting from raw material showing a cost push. In the face of these challenges, the co-operative spinning sector has no alternative but to manage its units on most modern professional lines employing every available tool. Constant attention and improvement should be the watchword taking care of every component-man, machine and material. It is with this concept in mind that AIFCOSPIN is providing specialised services in key areas as under :-

- a) Machine Maintenance Audit
- b) Yarn Quality Audit
- c) Energy Audit
- d) Financial Management and cost control system
- e) Operative/Supervisor's Training Programme.

2.7 CONCLUDING REMARKS :

Being a means to provide for the basic requirement of cloth, the textile industry is essential and its importance is growing larger. Due to intense competition in the

textiles markets both in India & in abroad, there is constant market research in the area, to face competition. As a result there is constant technological advancement in this industry. Still the Indian Textile Industry is doing well both in domestic as well as in foreign markets.

Indian textile industry is broadly divided in two classes

- A) Organised Mill Sector
- B) Decentralised Weaving Sector

Organised mill sector consists of composite mills as well as spinning mills. In composite mills spinning & weaving is carried out in the same mill but in decentralised weaving sector there is separation between spinning & weaving.

Recently the composite mill sector is reducing while the decentralised weaving sector alongwith spinning mills is growing larger.

Spinning mills are the key in the decentralised weaving sector. There has been consistent growth in Indian spinning Industry. In it co-operative sector has notable share. It has served the purpose well.

All India Federation of Spinning Mills has been established for providing services & to protect the interests of co-operative spinning mills in India. It is doing well for serving the purposes behind its formation.

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