

CHAPTER THREE

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GROWTH AND DEVELOPMENT OF TEXTILE INDUSTRY

3.1 A REVIEW:

'Textiles' is one of the traditional industries in the country, being almost a century and half old. Not long ago, it enjoyed premier status and tremendous prosperity, leading to the mushrooming of numerous spinning and weaving mills and resulting in the formation of textile centres such as Ahmedabad and Bombay. Ahmedabad continues to be the premier textile city even today. Initially, the industry was broadly cotton-based but later on, the development of synthetic, that is man-made fibres, reduced the share of cotton consumption. Still cotton maintains its supremacy.

The cotton textile industry also is one of the oldest large-scale industries in India. The first cotton mill was established in Boria, near Calcutta in 1818. The real development began after 1854, when cotton mills were set up in Bombay and then the industry made rapid progress. Today, it occupies a unique position in the industrial structure of India. It should be noted that the industry has become developed to its present stature entirely through Indian capital and management against powerful foreign competition and inspite of the fact that the British Government in India was indifferent, even hostile, towards the industry. However, the granting of protection to the industry in 1927 speeded up its development.

The protection was withdrawn in 1947 and the Partition of the country also affected the industry adversely. Again, with the advent of Planning, the industry developed considerable in the latter years.

As at the end of March 1991, there were 1,062 mills in the country (781 spinning mills and 281 composite mills) with 27 million spindles and 1.8 lakh looms. The industry provided direct employment to 11.5 lakh workers accounting for 18% of all factory labour in the country. Being one of the oldest industries, it has a history of over 150 years. It occupies a unique position in the world export market where India is second only to Japan in terms of total quantity of export and supplies 16% of the world exports of textiles [1].

The cotton textile industry consists of three distinct categories in the organized sector. These are: (i) spinning mills, (ii) coarse and medium composite mills, and (iii) fine and superfine composite mills which are generally small in size. Coarse and medium composite mills are not able to adjust their cost in the face of rising prices of raw materials and increase in wages. Consequently, many of them became uneconomic units and ran into difficulties. Fine and superfine composite mills use foreign cotton, they are not subject to stock restriction and can, therefore, carry on stable production programmes.

India's Cloth Production during the years 1985-86 to 1992-93 is shown in Table 3.1 (on the following page).

Table 3.1

INDIA'S PRODUCTION OF CLOTH
(in million square metres)

Years	Cloth Production by			
	Mills	Powerlooms	Handlooms	TOTAL
1985-86	3544 (20.60)	9534 (55.40)	4135 (24.00)	17213 (100.00)
1986-87	3483 (20.20)	10149 (58.90)	4305 (24.90)	17937 (100.00)
1987-88	3178 (17.70)	10429 (58.00)	4370 (24.30)	17977 (100.00)
1988-89	2902 (14.50)	13123 (65.60)	3993 (19.90)	20018 (100.00)
1989-90	2667 (12.90)	14007 (68.00)	3924 (19.10)	20598 (100.00)
1990-91	2589 (11.30)	16044 (70.00)	4295 (18.70)	22928 (100.00)
1991-92	2376 (10.50)	16089 (71.20)	4123 (18.30)	22588 (100.00)
1992-93	2255 (9.70)	16630 (71.90)	4255 (18.40)	23140 (100.00)

Note: Figures in bracket indicate percent share of total.

Source: 'Economic Times', dated 4th May 1994.

In the year 1981-82, out of the total cloth production of 10,981 million square metres (MSM), mills sector accounted for 34.7 percent of the total, powerlooms 49.4 percent and handlooms 23.9 percent. By 1985-86, these proportions were 20.6 percent, 55.4 percent and 24.0 percent, respectively, of the total cloth output of 17,213 MSM.

In 1992-93, the share of mills' output in the total cloth production of 23,140 MSM further receded to 9.7%; the powerlooms, however, enhanced their share to almost 72 percent, while that of the handlooms stood steady at 18.4 percent.

These changes are also reflected in the fluctuations; output rose by an annual average of 3.34 percent from 12.98 lakh tonnes in 1992-93, that of the cotton yarn increased by 3.55 percent per annum from 10.67 lakh tonnes to 15.23 lakh tonnes during this period [2].

India's production of spun-yarn during the years 1980-81 to 1992-93 is shown in Table 3.2 (on the following page).

The output of blended/mixed and 100 percent non-cotton yarn expanded by 5.0 percent from 2.31 lakh tonnes to 3.72 lakh tonnes. This is understandable as the land under cotton is limited and its annual production has, therefore, shown wide fluctuations. In fact, the fortunes of the cotton textile industry are closely dependent on the prospects of the cotton output and its blending with other suitable fibres.

Table 3.2

INDIA'S PRODUCTION OF SPUN YARN
('000 tonnes)

YEAR	Cotton Blended/Mix	100% Non-Cotton	TOTAL
1980-81	1067 (82.2)	231 (17.8)	1298 (100.0)
1984-85	1183 (85.6)	199 (14.4)	1382 (100.0)
1985-86	1253 (86.2)	201 (13.8)	1454 (100.0)
1986-87	1302 (85.3)	224 (14.7)	1526 (100.0)
1987-88	1321 (85.0)	234 (15.0)	1555 (100.0)
1988-89	1310 (82.5)	277 (17.5)	1587 (100.0)
1989-90	1372 (83.1)	280 (16.9)	1652 (100.0)
1990-91	1510 (82.8)	314 (17.2)	1824 (100.0)
1991-92	1450 (80.3)	356 (19.7)	1806 (100.0)
1992-93	1523 (80.4)	372 (19.6)	1895 (100.0)

Note: Figures in brackets are the percent share of Total

Source: 'Economic Times', dated 4th May 1994

Production estimates are handed out by the trade, the Government and the Cotton Advisory Board (CAB). These estimates are always at variance; for instance, total cotton production for 1992-93 was first indicated at about 140 lakh bales (170 kgs.each); later on, it was revised downward at 130 lakh bales by the CAB and at 120 lakh bales by the Government.

In 1992-93, net sales of 89 cotton textile companies rose by 21 percent over the previous year and gross profits by 14 percent. The profitability ratio of the gross return on sales (net) was steady at 9.9 percent compared to about 10.5 percent in 1991-92, cotton output had declined to 117 lakh bales in 1990-91 and remained steady at 121 lakh bales in 1991-92.

3.2 COTTON PRIMACY:

This is an industry which depends on raw cotton as its prime raw material. The final product texture, whether yarn or textile garments, depends upon the quality of the prime input cotton. Cotton textiles consume 10-30% of sales, or cotton consumption. The textile industry shows cyclical and divergent trends and the performance of the cotton textile industry closely moves along with the cotton crop production. This is because when the crop production goes up, prices of cotton are found to ease, which in turn, enhance the profit margins of the consuming industry.

Cotton Advisory Board (CAB) has recently declared, the average yield in the country comes to around 260 kgs. against the world average

of around 550 kg. and between 700 and 800 kg. in China, the USA and USSR, the top three cotton producing countries in the world [3].

Cotton is one of the major cashcrops in the country. India has the largest harvested area of 7.68 million hectares under cotton, almost twice that of the US, which works out to nearly one-fourth of the world cotton area. Despite this, India ranks as the fourth largest producer of cotton in the world, after China, the USA and USSR. The country has made great strides in the cotton production by not only achieving self-sufficiency but also exportable surplus. Considering the huge area under cotton cultivation, with a small improvement in the yield, the production could easily reach 150 lakh bales and with more concerned efforts, it could go up to 170 to 180 lakh bales within next few years.

The consumption pattern of different income groups shows wide variations in cloth consumption. The bottom 40% of the rural population has a per capita consumption of only 2.0 metres, the next 30% has a per capita consumption of 9.0 metres and the top 30% of the rural population has a per capita consumption of 29 metres. A significant factor accounting for a change in the consumption pattern is the shift to polyester and polyester-blends by the top 30% of the population. The polyester blends are priced 3 to 4 times and in some cases, even larger than that of cotton cloth. Moreover, the wash-and-wear qualities of polyester and blended fabrics reduce the maintenance cost in terms of washing and ironing of the clothes. Consequently, there is a shift in consumption in favour of polyester and blended fabrics. This shift is percolating even among the lower middle classes, more so because of the prestige value attached to the blended fabrics.

3.3 TEXTILE INDUSTRY AILMENTS:

The decline of the cotton textile industry can be attributed to both a cheaper alternative provided by polyester, which requires less laundering and ironing than cotton textiles. Apart from this, insufficient cotton production, over-capacities, ineffective influence of Nationalization, poor management, failure to modernize, high tax structure and lack of any appreciable export thrust are the other reasons that have afflicted the cotton textile sector in the past.

The earlier decline of the cotton textile industry has such a long history of restrictive policies of the Government, like freeze on creation of new loomage till the new textile policy was declared. Restrictions were imposed on installation of automatic looms. There were restrictions on export of yarn, on utilization of processing capacities and sector protection, both fiscal and non-fiscal, to powerlooms and independent power processing units as against the composite mill sector.

The cotton textile industry has suffered badly for want of adequate supply of power. Frequent power cuts and load-shedding too have affected it badly. The inadequacy of coal supplies has also affected the progress of the industry, particularly in the Western and Southern India. Load shedding is one of the serious problems of the industry.

The Indian cotton textile industry has been facing increasing competition in the world market. This is largely due to the low productivity and high cost and consequently, high prices of the Indian cotton textiles.

3.4 FAVOURABLE GOVERNMENT POLICIES:

In June 1985, the Government of India announced the new textile policy. It proposed a restructured framework having the following three dimensions. The first to restructure the industry into spinning, weaving and processing units, as opposed to earlier divisions, such as organized, powerloom and handloom sectors. The second open the door to new units and scraps unviable capacity. This step benefits composite mills which have begun to reduce overheads by disbanding unviable weaving capacity to compete on even terms with powerlooms. Consequently, the installed loom capacity in these mills has fallen today. This process weeds out loomage in vertically integrated mills and concentrate their activity on spinning. The Developed nations like UK, Germany and Italy have undergone similar restructuring by scrapping obsolete loomage. Thirdly, flexibility in the fibre-mix in spinning and weaving has removed earlier industry compartmentalization into cotton, man-made fibre and woollen units. Simultaneously, the textile policy creates additional capacities for man-made fibre and progressively reduces costs by lowering taxes.

Tax structure has been rationalized to provide greater relief, excise duty has been shifted from fabric to yarn. Substantial reduction in duties on machinery, imported against export commitments has also been effected. Exports now benefit from an all round tax package, including tax withdrawal.

This should result in higher production and a concomitant growth in export.

3.5 EXPORT SCENARIO:

Exports of cotton textiles have for the first time surpassed Rs.5,003 crores for the year ended March 1994 against the target of Rs.4,439 crores and actual exports of Rs.3,828 crores during 1992-93 [4].

A noteworthy feature of the cotton textiles exports last year is that the exports of mill-made fabrics and made-ups have stagnated even when the powerloom sector has excelled in the performance. Another point worth noting is that during the first quarter of 1994 (January/March) even the price realization for so-called value-added mill-made processed fabrics has declined, when the realization for powerloom grey and processed as well as mill-made grey fabrics has increased substantially.

During January/March 1994 exports totalled Rs.1,342 crore as against Rs.975 crore during the corresponding period of the previous year. Fabrics exports have gone upto Rs.521 crore from Rs.427 crore, yarn and sewing thread to Rs.471 crore from Rs.331 crore and made-ups to Rs.349 from Rs.226 crore during the period.

The price realization, however, during the same period was higher in the case of all products, except mill-made processed fabrics and knitted fabrics.

The realization per square meter of mill-made grey fabrics increased from Rs.17.21 to Rs.19.30 powerloom grey from Rs.5.98 to Rs.6.53 and powerloom processed from Rs.19.38 to Rs.22.55 while for mill-made processed fabrics, it was lower at Rs.31.18 against Rs.31.64 and knitted fabrics at Rs.19.47 against Rs.21.88.

Cotton yarn exports during the first quarter of 1994 reached 50.30

million kg. valued at Rs.471 crore against 37.46 million kg. worth Rs.330 crores raising the average per kg. realization to Rs.93.70 from Rs.88.15 during the same period last year.

Exports of mill-made fabrics during 1993-94 have remained at 414 million sq.metres, the same level of 1992-93, while those of powerloom fabrics jumped from 622 million sq.metres to 726 million. In terms of value, mill-made fabrics have increased from Rs.803 crore to Rs.952 crore while powerloom fabrics from Rs.771 crore to Rs.934 crore.

Exports of mill-made made-ups have marginally increased from Rs.324 crore in 1992-93 to Rs.331 crore last year, while powerloom made-ups have made a significant contribution of Rs.954 crore last year against Rs.560 crore for the previous year.

Thus, the stage is set for the Indian Cotton Textile Industry to multiply its export earning in the next few years through rapid modernization, exploration of new market, changing styles and fashion and sharpening of marketing skills.

3.6 PRESENT TEXTILE INDUSTRY SCENARIO:

The textile industry is the single largest in the country and accounts for almost 20 percent of the industrial production of the country. It provides direct employment to over 23 million people and indirect employment to millions engaged in cotton growing, manufacture of man-made fibres/yarns, textile machinery, stores, spares, dyes/chemicals, trade to ensure adequate availability of cotton at reasonable prices. Also, duty-free import of sophisticated machinery under export

obligation to reduce the cost of investment. Indian manufacturers will have to be placed on par with their competitors as regards interest rates and power charges. Artificial restraints like ceiling on cotton yarn export will have to go. Fragmentation of quota distribution among various segments will have to be removed and rationalization/simplification of export procedures ensured. Introduction of a viable scheme for the encouragement of export of polyester blended textiles is necessary to capture a larger segment of the world trade [4].

REFERENCES:

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4. 'Economic Times', Bombay Edn., 4.5.1994.
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